

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2005

Prepared by
Department of Finance

Eric E. Tsao
Finance Director

CITY OF TORRANCE, CALIFORNIA

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CITY OF TORRANCE, CALIFORNIA

Comprehensive Annual Financial Report

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City OF Torrance



Torrance City Hall

COMPREHENSIVE ANNUAL *Financial* REPORT

Fiscal Year Ended June 30, 2005

❖ I N T R O D U C T O R Y S E C T I O N ❖

FINANCE
DEPARTMENT

ERIC E. TSAO
FINANCE DIRECTOR

December 21, 2005

Honorable Mayor and City Council
and Citizens of the City of Torrance

Via: ~~LeRoy J. Jackson, City Manager~~ 

In accordance with Section 1100 of the City Charter, the Finance Department hereby submits the Comprehensive Annual Financial Report for the City of Torrance for the fiscal year ended June 30, 2005. The report reflects the fiscal plan of the City to provide a quality level of service to the community while providing for limited incremental funding of approved reserves, and meeting operating expenditures with operating revenues. The prudent fiscal management of the Mayor and City Council provides the citizens of Torrance with continued fiscal responsibility at the local level.

The report has been prepared by the Finance Department in accordance with Generally Accepted Accounting Principles (GAAP) as set forth in pronouncements of the Governmental Accounting Standards Board (GASB). The GASB has primary responsibility for determining current accounting and financial reporting standards for activities and transactions of state and local government entities.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation rests with the City. The City believes the data is accurately presented in all material respects. The financial data is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. And, that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

The report is presented in sections: introductory, financial and statistical.

- (1) **The introductory section** includes this transmittal letter, the organization chart and a list of principal officials.
- (2) **The financial section** includes the Management Discussion and Analysis, the Government-wide Financial Statements, the Fund Financial Statements, and certain supplementary information detailing

the investments of the City, as well as the auditor's report on the financial statements and schedules.

- (3) **The statistical section** includes selected financial and the demographic information, generally presented on a multi-year basis.

REPORTING ENTITY

The Financial Reporting Entity (the government) includes all the funds and capital assets of the primary government (i.e., the City of Torrance as legally defined) as well as its financial reporting component units. Financial reporting component units such as the City of Torrance Redevelopment Agency and the Torrance Public Financing Authority are legally separate entities for which the City of Torrance is financially accountable.

THE CITY

The City of Torrance is Los Angeles County's sixth largest city, was founded in 1912, incorporated in 1921, and became a charter city in 1947. The City has a population of 147,405 within a boundary of approximately 21 square miles. The City borders the beautiful Pacific Ocean and is an integral part of the larger regional area known as the South Bay. The City of Torrance provides a wide range of services. These services include police and fire protection; sanitation, sewer and water services; airport and bus transit services; the construction and maintenance of streets and infrastructure; planning and zoning; library and community services; recreational activities and cultural events and general administrative and support services.

SERVICE EFFORTS AND ACCOMPLISHMENTS

In fiscal year 2004-05, the City of Torrance maintained the level of service to its residents and citizens. \$265.7 million was budgeted to support the City's many services and programs and \$16 million was budgeted for capital projects for the year.

The City completed several capital projects this fiscal year in the categories of Street Improvements, Water System Upgrade, Sewer System Upgrades, Traffic Signal Upgrade, and Airport projects.

In the above-referenced categories, the City completed the following major projects:

Street Improvements: Residential streets rehabilitation program (various locations); Hawthorne/Del Amo Boulevard Intersection capacity enhancement (widened Del Amo Blvd. both East and West of Hawthorne); Western Avenue rehabilitation (182nd Street to Artesia Boulevard); 190th Street Rehabilitation (Prairie Avenue to Van Ness Avenue); 234th Street/Amie Channel replacement and retention basin flood damage repair.

Water System Upgrades: Walteria Reservoir landscaping and slope stability; Automation of Facility Control system; Water Main Replacement (Yukon); Flow Control Facilities project (retrofit the primary service connections with the water district); Conversion of existing CassWorks Computerized Maintenance (CMMS) and implementation of a new City-wide Work Management System (WMS) used for field operation departments and citizen request tracing; Water Meter and Vault Replacements; Water Operations Facilities energy conservation study; Water System Vulnerability Assessment project; **Sewer System Upgrade:** Sewer rehabilitation project completed (relining of pipes, replacement of deteriorated or damaged sections to maintain the structural integrity of flow capacity of existing sewer lines); **Traffic Signal Upgrade:** Upgrade and standardize the basic communications protocol of traffic signal system; **Airport Projects:** Hangar Rehabilitation-Zamperini Field; Reconstruction and overlay of pavement sections-Crenshaw Boulevard (Pacific Coast Highway to Skypark Drive).

A major City project that was completed in 2005 is the Artesia Boulevard Improvement between Hawthorne Boulevard and Western Avenue. Artesia Boulevard is a major east-west arterial roadway in the City of Torrance. Approximately 3 miles long, Artesia Boulevard lies in the northern portion of our City and is surrounded by residential, office and commercial land uses. It also intersects with an interstate highway (I-405) and carries approximately 40,000 vehicles per day. Construction began in July 2003. Improvements include pavement reconstruction; replacement of damaged curbs, gutters and sidewalks; installation of storm drains and cross-gutters; traffic signal upgrades, including video detection systems; additional turn lanes at Prairie Avenue, Crenshaw Boulevard and Western Avenue; and new landscaped medians and parkways. The total project budget is \$12.2 million and was completed in summer 2005.

The Mills Company purchased Del Amo Mall and will introduce new stores, restaurants, theaters and other upgrades that would make this mall one of the greatest shopping centers in the country. Construction began this fiscal year and by summer of next year, Del Amo Fashion Center will have a new lifestyle wing-an open air shopping area with a mix of restaurants, shops and entertainment opening out onto a plaza. The lifestyle wing is the first phase of an estimated \$300 million dollar investment in revitalizing the 30 year old mall. It is anticipated that with the full completion of the mall's revitalization, sales tax revenues will increase which will help public safety, parks and recreation and other programs of the City. Del Amo opened a community information center in the mall where residents will be able to learn all the mall's revitalization plans.

The Torrance Towne Center has completed its revitalization. The new shopping centers with major stores, restaurants and services were built. A Lowe's home and garden center has also been approved.

Adding to the economic vitality of Torrance are the car dealerships. Penske, Cadillac, Hummer has completed its expansion as well as South Bay BMW.

Construction was completed in the City's Cultural Arts Center for an additional stage named the George Nakano Theater that will be use to present a diverse season of small musicals, contemporary works and classic pieces.

As a City, we have controlled our growth both in quality and quantity. The price of land is high and demand for housing is rising. Additionally, available land is very limited. Each development has been reviewed by City departments such as Community Development and Building and Safety. Changes requested by the City must be agreed upon and only after additional reviews and approval of Council will plans move forward.

It took hard work and dedication of all City personnel, police officers, firefighters, field crews, administrators, commissions, committees, and cooperation of residents and commitments of businesses in Torrance that made 2004-05 fiscal year accomplishments possible.

FINANCIAL FORECAST AND FUTURE OUTLOOK

During the year, General Fund actual expenditures were below budget by \$4.2 million while actual revenues are higher by \$6.8 million primarily due to the increase in utility users' taxes, occupancy taxes, property taxes, franchise fees, and investment earnings.

The financial forecast and future outlook is discussed in detail in the Management and Discussion Analysis section of the City's Comprehensive Annual Financial Report.

INTERNAL CONTROLS

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that the above reference objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be realized; and (2) the valuation of costs and benefits requires estimates and judgments by management.

BUDGETARY CONTROLS

The City is required by charter to adopt an annual budget. The City's annual appropriated budget is established and controlled at the highest individual organization level (department). The budget is monitored at a more detailed level (program) that closely track costs at service levels. The departmental Director is held accountable for meeting the objectives within each of his or her programs and in monitoring the use of budget allocations to ensure compliance with the legal

provisions embodied in the annual appropriated budget approved by the City Council. The City also maintains an encumbrance accounting system as one technique in accomplishing budgetary control. All operating appropriations lapse at year-end to the extent they have not been expended or encumbered. Capital project appropriations lapse when individual projects are completed.

INDEPENDENT AUDIT

The City Charter requires an annual audit of the records and accounts of the City by an independent Certified Public Accountant. This requirement has been complied with and the auditor's report has been included in this report.

AWARDS

The staff of the Department of Finance has continued its efforts to improve the method of providing financial information to the elected and appointed officials of the City and to the citizens of Torrance.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Torrance for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004.

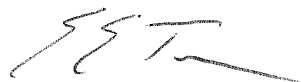
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA for consideration.

OTHERS

The City recommends that the Management Discussion and Analysis section be read to obtain an understanding of the City's financial condition as of June 30, 2005. This section also provides an overview of the City's financial activities of year end.

Respectfully submitted,



Eric E. Tsao
Finance Director

CITY OF TORRANCE DIRECTORY OF CITY OFFICIALS

June 30, 2005

CITY COUNCIL

Dan Walker, Mayor

Ted Lieu
Mike Mauno
Pat McIntyre

Paul M. Nowatka
Frank Scotto
Hope Witkowsky

CITY CLERK

Sue Herbers

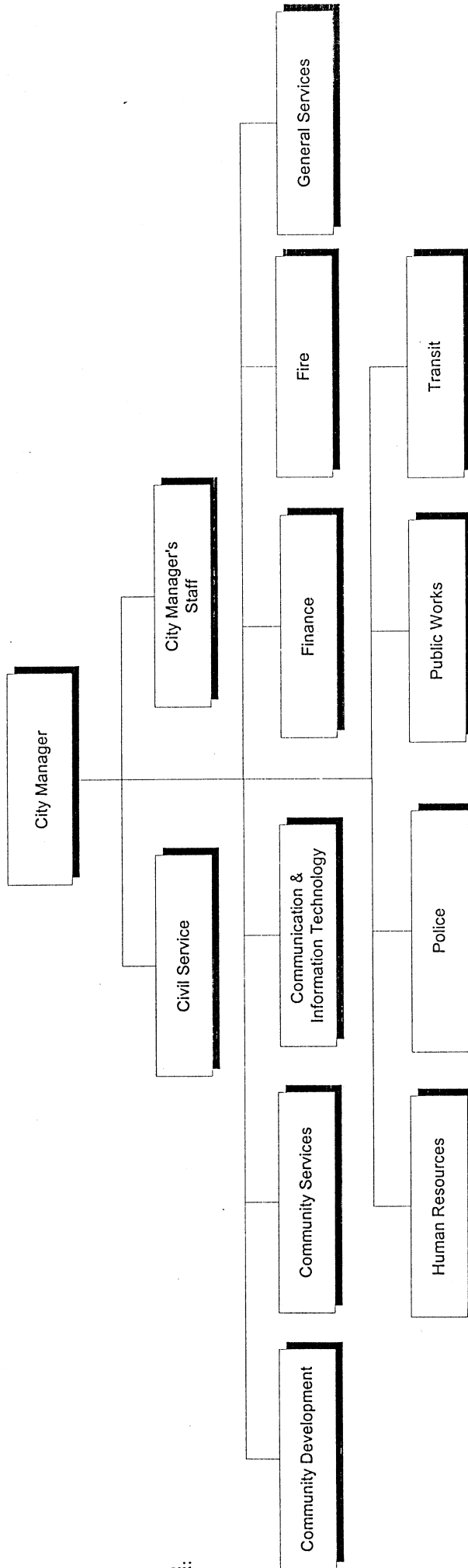
CITY TREASURER

Linda M. Barnett

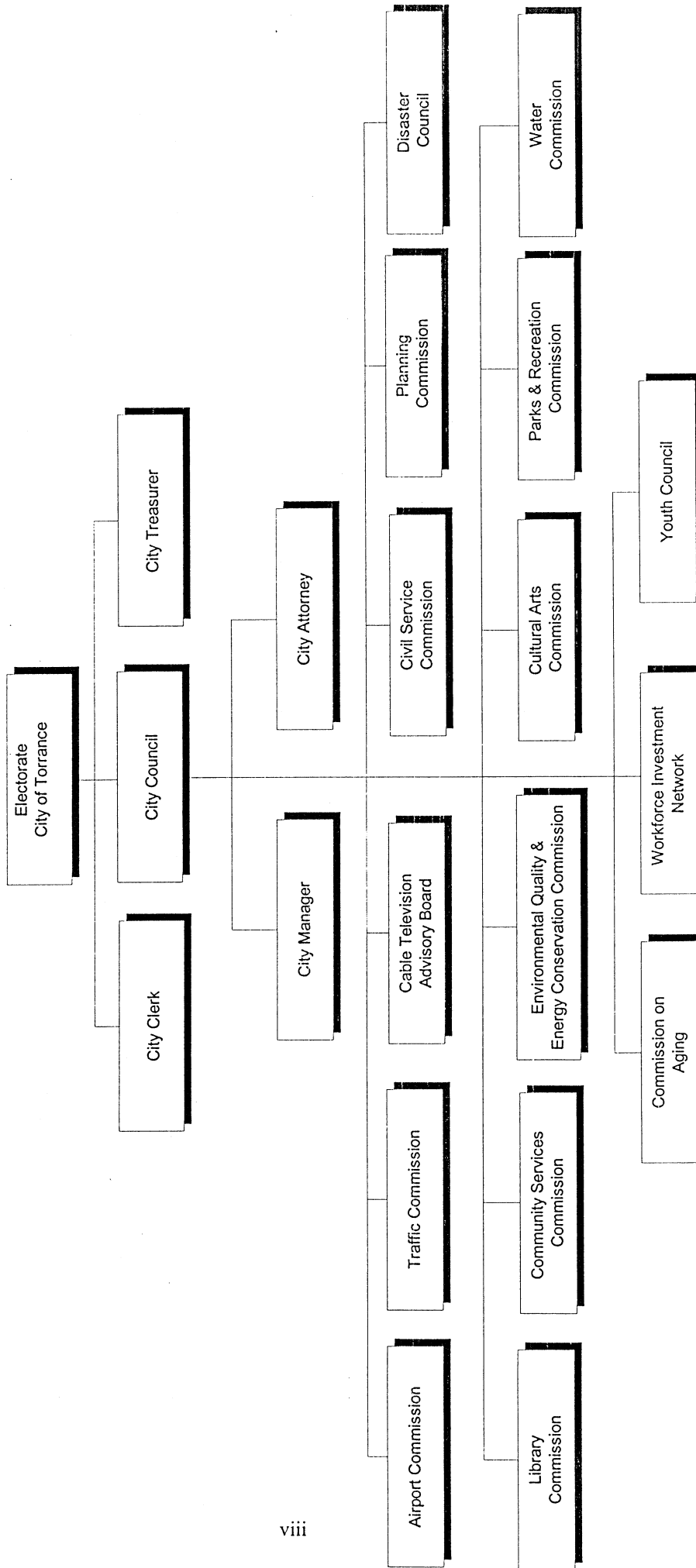
ADMINISTRATION

LeRoy J. Jackson, City Manager
Mary K. Giordano, Assistant City Manager
Eric E. Tsao, Finance Director
John L. Fellows III, City Attorney
Sheryl Ballew, Director of General Services
Richard V. Bongard, Fire Chief
Richard Shigaki, Information Technology Director
Gene Barnett, Community Services Director
Elaine Winer, Human Resources Director
Jeffery W. Gibson, Community Development Director
James D. Herren, Police Chief
Robert J. Beste, Public Works Director
Kim Turner, Acting Transit Director

CITY DEPARTMENTS



ELECTED AND APPOINTED OFFICIALS



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Torrance,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Enen

Executive Director

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City OF Torrance



COMPREHENSIVE ANNUAL *Financial* REPORT

Fiscal Year Ended June 30, 2005

❖ FINANCIAL SECTION ❖

The Honorable City Council
City of Torrance, California

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Torrance, California, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Torrance. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Torrance, California, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, of the City of Torrance, California, and the respective budgetary comparison information for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Torrance's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Honorable City Council
City of Torrance, California
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated October 7, 2005 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Conrad and Associates, L.L.P.

October 7, 2005

City OF Torrance



Council Chamber

Management Discussion & Analysis

❖ DEPARTMENT OF FINANCE ❖

MANAGEMENT DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Torrance financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2005. It is recommended this overview be read in conjunction with the City's transmittal letter and the accompanied financial statements in order to obtain a thorough understanding of the City's financial condition at June 30, 2005.

FINANCIAL HIGHLIGHTS

- The City's total assets (all funds) exceeded its liabilities at the close of fiscal year 2004-05 by \$390.7 million dollars (net assets). This is a .5% or \$2.0 million dollars increase from last fiscal year net assets of \$388.7 million primarily due to refunding of bonds.
- During the year, the City's expenditures and transfers for governmental activities exceeded revenues by \$452,727.
- In the City's business-type activities, revenues and transfers exceeded expenses by \$256,670.
- The General Fund reported an excess of revenues over expenditures before transfers of \$15.7 million and with a net transfers out of \$15.2 million, resulting in increase to its fund balance of \$500,376 during the year.
- The City kept General Fund expenditures within spending limits and actual General Fund expenditures on a budgetary basis were \$4.2 million less than budget. The General Fund revenues was \$6.8 million above budgetary basis which was attributable to the higher collections of utility users' tax for natural gas, higher building activity and increased investment earnings due to rising interest rates.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the financial activities of the City as a whole and presents a longer futuristic view of the City's finances. For government activities, fund financial statements tell how services were financed in the short-term as well as what remains for future spending. Fund financials also report the City's operations in greater detail compared to the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities where the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. The Statement of Net Assets and Statement of Activities include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or disbursed.

The aforementioned statements report the City's net assets and changes in them. The City's net assets statement reflects the difference between assets and liabilities. A way to measure the City's financial health or financial position is to look at the difference between assets and liabilities. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional non-financial factors such as changes in the City's revenue receipt pattern need to be considered in assessing the overall health of the City.

The Statement of Net Assets and the Statement of Activities, present information about the following:

- **Governmental activities**—All of City's basic services are considered to be governmental activities, including general government, public safety, public works, and culture and recreation. Property taxes, sales taxes, utility users' taxes, occupancy taxes and motor vehicle taxes finance most of these activities.
- **Business-type activities**—The City charges fees to customers to help it cover the costs of certain services it provides. The City's Airport, Transit, Water, Sewer, Emergency Medical Service, Sanitation, Parks and Recreation and Cultural Arts Center funds are included here.

The City has presented its financial statements under the new reporting model required by Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Government since fiscal year 2001-02. A comparative analysis of financial data from prior year is included in this report.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provides detailed information about the most significant funds and is not intended to report on the entire City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money

for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds—governmental and proprietary—use different accounting approaches.

- **Governmental funds**— Majority of the City's basic services are reported in governmental funds. Governmental funds account for the resources (revenues received) and the uses (services provided to residential and business community) of money that flows into and out of these funds and money left at year-end that is available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The government fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs. A description of the relationship (or differences) between the governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is shown in the reconciliation at the bottom of the fund financial statements.

- **Proprietary funds** are funds that account for the City's operations that are financed and operated in a manner similar to a private business enterprise. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net assets and the Statement of Activities. The City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The City use internal service funds to report activities that provide supplies and services for other programs and activities within the City such as the Self Insurance Fund and Fleet Services Fund.

The City as Trustee

Reporting the City's Fiduciary responsibilities

The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that; because of a trust arrangement; can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statement of Fiduciary Assets and Liabilities. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. The City's net assets for fiscal year 2004-05 compared to 2003-04 are shown in Table 1.

Table 1
Net Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$114.1	\$98.6	\$44.6	\$42.5	\$158.7	\$141.1
Capital assets	<u>268.2</u>	<u>271.1</u>	<u>125.1</u>	<u>125.9</u>	<u>393.3</u>	<u>397.0</u>
Total assets	<u>382.3</u>	<u>369.7</u>	<u>169.7</u>	<u>168.4</u>	<u>552.0</u>	<u>538.1</u>
Long-term debt	(136.4)	(111.3)	(4.6)	(4.7)	(141.0)	(116.0)
Other liabilities	<u>(13.4)</u>	<u>(25.4)</u>	<u>(6.9)</u>	<u>(8.0)</u>	<u>(20.3)</u>	<u>(33.4)</u>
Total liabilities	<u>(149.8)</u>	<u>(136.7)</u>	<u>(11.5)</u>	<u>(12.7)</u>	<u>(161.3)</u>	<u>(149.4)</u>
Net assets						
Invested in capital assets, net of related debt	220.6	237.7	120.5	120.5	341.1	358.2
Restricted	61.5	45.1	0.7	1.5	62.2	46.6
Unrestricted	<u>(49.6)</u>	<u>(49.8)</u>	<u>37.0</u>	<u>33.7</u>	<u>(12.6)</u>	<u>(16.1)</u>
Total net assets	<u>\$232.5</u>	<u>\$233.0</u>	<u>\$158.2</u>	<u>\$155.7</u>	<u>\$390.7</u>	<u>\$388.7</u>

Net assets of the City's governmental activities amounted to \$232.5 million. Of the \$232.5 million, \$220.6 is invested in capital assets such as land, buildings, machinery, infrastructure, equipment and other improvements; \$61.5 million is restricted for streets, highways, capital projects, public safety and to pay debt service and (\$49.6) million is unrestricted. The net assets of the City's governmental activities decreased by \$452,727 (\$232,501,430 million compared to \$232,954,157 million in 2003-04). The decrease of fund balance is due to the decrease in capital assets due to depreciation.

Net assets of the City's business-type activities amounted to \$158.2 million. \$120.5 million is invested in capital assets; \$683,973 is restricted to pay debt service and \$37.0 million is unrestricted. The net assets of the City's business-type activities increased by \$2.5 million (\$158.2 million compared to \$155.7 million in 2003-04). The primary reason for the increase is the refunding of the Water bond.

Changes in net assets. The City's total revenues are \$229.6 million (See Table 2). Twenty eight percent of the program revenues is derived from fees charged for services; twenty five percent from other taxes such as utility users tax, construction tax, occupancy tax, business license tax and franchise tax; twelve percent come from sales taxes; eighteen percent come from property taxes; twelve percent from operating grants; three percent from capital grants and two percent from other miscellaneous revenue fees (See Figure A-1).

The City's total revenues increased by \$4.3 million primarily due to the increase in collection of utility users taxes and new Airport leases and increases in Airport's base rentals during the year.

The total costs of all programs and services are \$229.8 (See Table 2). Thirty three percent of functional expenses are related to public safety; eleven percent relates to general government; eight percent to public works; five percent to culture and recreation; six percent to community development; three percent to non-departmental expenses; two percent to interest on debt and thirty two percent to business-type activities (See Figure A-2). The total cost of the City's programs and services increase by \$17.4 million.

Figure A-1
Sources of Revenues for Fiscal Year 2005

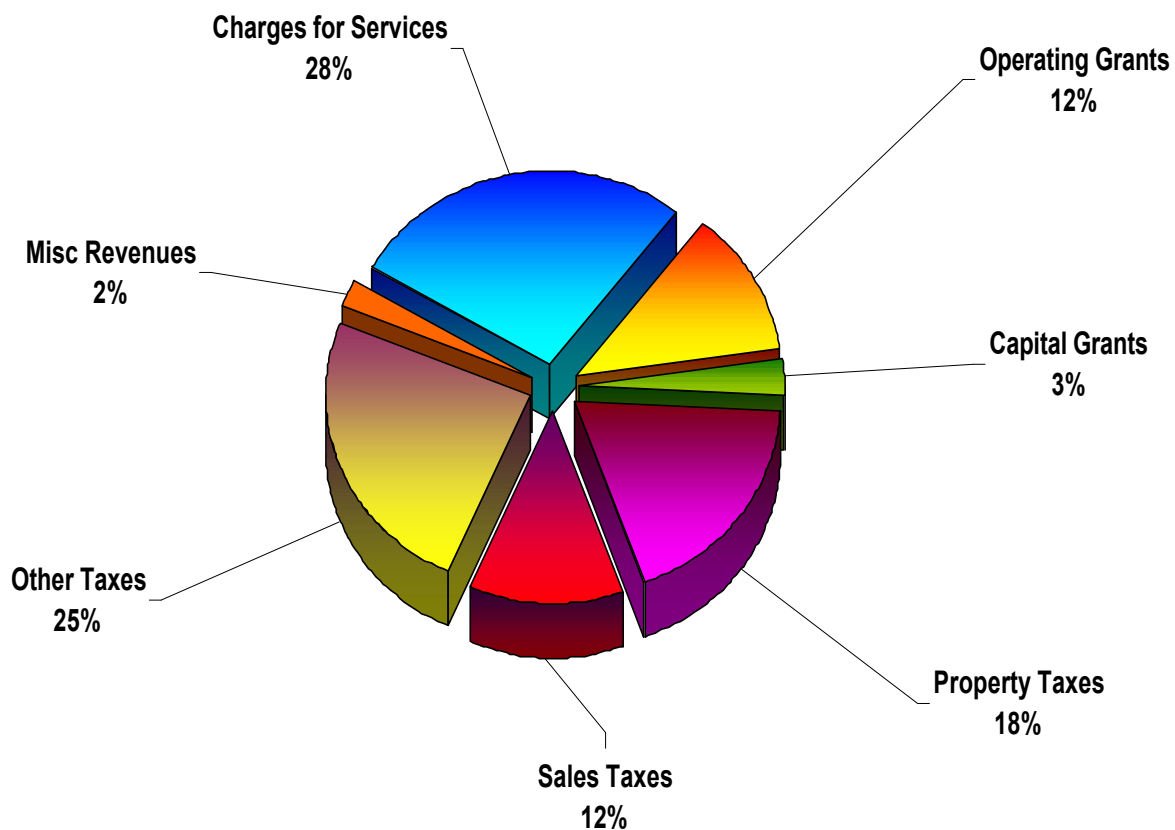


Figure A-2
Functional Expenses for Fiscal Year 2005

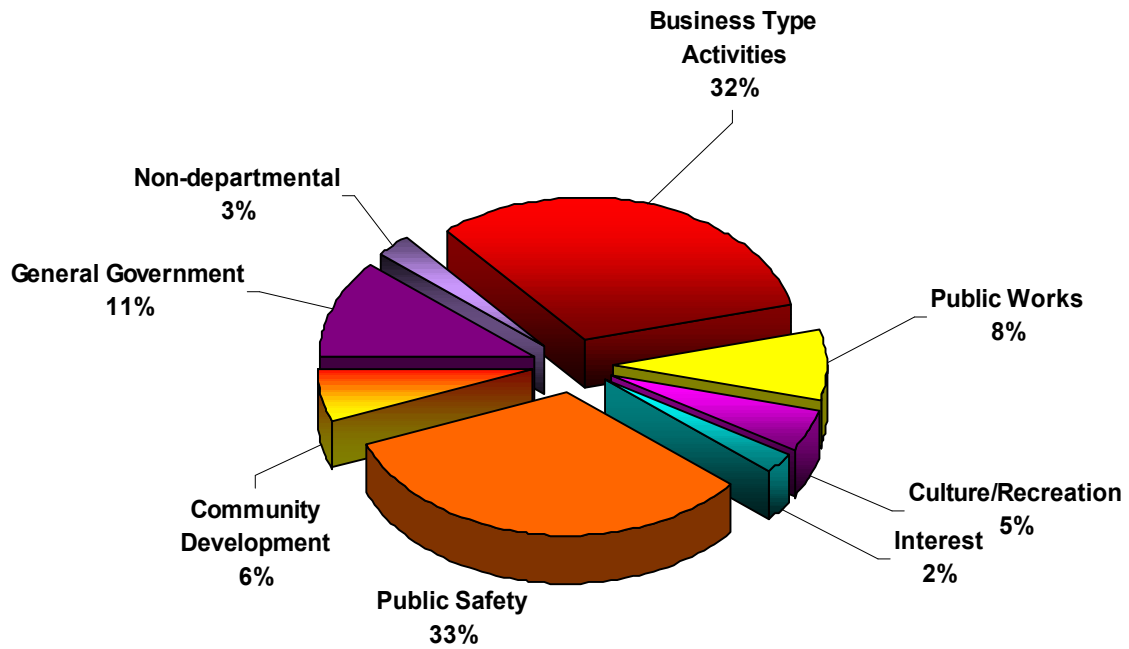


Table 2 and the narrative that follows consider the operations of the governmental and business-type activities separately.

Governmental Activities

The major revenues for the City's governmental activities were: property taxes, construction taxes and permits, business licenses/permits, motor vehicle license fees, utility users' tax, franchise fees, sales taxes and occupancy taxes.

Table 2
Change in Net Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues:						
Charges for services	\$12.8	11.1	\$50.0	\$47.4	\$62.8	\$58.5
Operating grants/contr	14.6	14.6	13.3	13.2	27.9	27.8
Capital grants/contr	5.7	9.7	1.5	3.7	7.2	13.4
General revenues:						
Property taxes	42.2	25.6	-	-	42.2	25.6
Sales taxes	28.3	35.9	-	-	28.3	35.9
Other taxes	56.0	53.2	-	-	56.0	53.2
In lieu charges	0.9	6.6	-	-	0.9	6.6
Investment earnings	2.1	1.5	0.2	0.2	2.3	1.7
Miscellaneous	2.0	2.6	-	-	2.0	2.6
Total revenues	164.6	160.8	65.0	64.5	229.6	225.3
Expenses						
General government	25.8	23.3	-	-	25.8	23.3
Public safety	76.6	70.4	-	-	76.6	70.4
Public works	18.7	15.9	-	-	18.7	15.9
Culture and recreation	10.6	9.0	-	-	10.6	9.0
Non-departmental	6.1	7.3	-	-	6.1	7.3
Community development	13.1	11.3	-	-	13.1	11.3
Others	-	1.8	-	-	-	1.8
Interest on long term debt	5.7	4.9	-	-	5.7	4.9
Airport	-	-	6.0	4.9	6.0	4.9
Transit	-	-	19.5	18.5	19.5	18.5
Water	-	-	21.3	20.9	21.3	20.9
Sewer	-	-	2.0	1.7	2.0	1.7
Sanitation	-	-	8.5	7.9	8.5	7.9
Cultural Arts	-	-	1.7	1.5	1.7	1.5
Parks and Recreation	-	-	7.0	6.5	7.0	6.5
Emergency Medical	-	-	7.2	6.7	7.2	6.7
Total expenses	156.6	143.9	73.2	68.6	229.8	212.5
Excess of revenues over						
exp before transfers	8.0	16.9	(8.2)	(4.1)	(0.2)	12.8
Transfers	(8.5)	(8.2)	8.5	8.2	-	-
Increase (decrease) in net assets	(\$0.5)	\$8.7	\$0.3	\$4.1	(\$0.2)	\$12.8

Revenues for the City's governmental activities increase by 2.3 percent or \$3.8 million. This was primarily due to the increase in other taxes such as utility users' tax and occupancy taxes of approximately \$3.4 million and investment earnings of half a million dollars.

The total expenses of the governmental activities increase by 8.8 percent or \$12.7 million. The increase was primarily due to the increase in public safety's PERS costs and increase in expenditures related to public works, general government and community development.

Table 3 presents the cost of each of the City's largest programs-public safety, public works, culture and recreation, general government, community development as well as each program's net cost (total cost less fees generated by the activities and intergovernmental aid).

The cost of all governmental activities this year was \$156.6 million. \$123.5 million of these activities were paid through City taxes, sales taxes, investment earnings and other miscellaneous fees; \$12.8 million was paid by those who directly benefited from the programs and \$20.3 million was funded by other governments and organizations that subsidized certain programs with operating grants and contributions.

Table 3
Governmental Activities
(In Millions)

	Total cost of services		Net cost of services	
	2005	2004	2005	2004
General government	\$25.8	\$23.3	\$11.8	\$13.7
Public safety	76.6	70.4	69.1	64.4
Public works	18.7	15.9	8.2	1.4
Culture and recreation	10.6	9.0	9.5	13.3
Community development	13.1	11.3	13.1	1.6
Others	11.8	14.0	11.8	14.0
Total	\$156.6	\$143.9	\$123.5	\$108.4

Business-type activities

Revenues of the City's business-type activities amounts to \$65 million and expenses are \$73.2 million (Refer to Table 2). The revenues are derived from service fees, operating and capital grants and contributions. Revenues increased by half a million (\$65 million compared to \$64.5 million in 2003-04). This is primarily due to the new leases in Airport and increase in their base rents. Expenses increased by \$4.6 million (\$73.2 million compared to \$68.6 million in 2003-04). The increase in expenses is caused by normal growth in operating expenses for Airport, Transit, Water, Sewer, Sanitation, Emergency Medical Services and Parks and Recreation Enterprise Funds. The excess of expenses over revenues before transfers this fiscal year is \$8.2 million and with a net transfer in of \$8.5 million, the business-type activities had an increase in net assets of \$256,670 during the year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds:

As the City completed the year, its governmental funds reported a combined fund balance of \$85.8 million.

Major funds reported are General Fund, Torrance Public Financing Debt Service Fund, Industrial Redevelopment Debt Service Fund and Capital Improvement Fund.

The General Fund excess of revenues over expenditures during the year was \$15.7 million and a net transfer of (\$15.2) million. The increase in General fund balance of \$500,376 this year was primarily due to the increase in utility users' tax receipts. Expenditures increase is attributed to the increase in public safety's PERS costs and increase in general government expenditures compared to last fiscal year.

The Torrance Public Financing Debt Service Fund reported an increase in fund balance of \$2.8 million. This is primarily due to the refunding of the 1995 Torrance Improvements Corporation certificates of participation bond.

The Industrial Redevelopment Debt Service Fund reported an increase in fund balance of \$110,350. The increase was primarily due to the increase in property tax increments during the year.

The Capital Improvement Fund reported an increase of \$5.4 million in fund balance. This was primarily due to increase of operating transfers received during the year.

The Special Revenue Funds had a total fund balance of \$19.7 million as of fiscal year-end (all non major funds). The net decrease in fund balance during the year

was \$1.9 million. The decrease in fund balance is primarily due to the increase in State gas tax expenditures for street maintenance and projects and also the increase in the use of grant monies for capital expenditures this year.

The Capital Project Funds had a total fund balance of \$36.9 million as of year-end (Capital Improvement Fund of \$20.1 million and Non Major Capital Project Funds of \$16.8 million). The net increase in fund balance totaled \$17.4 million during the year. This was primarily due to the refunding of the 1995 Torrance Improvement Corporation certificates of participation bond.

The Debt Service Funds had a total deficit fund balance of \$9.4 million as of year-end (Industrial Redevelopment Debt Service Fund deficit of \$14.8 million, Torrance Public Financing Debt Service Fund balance of \$3.3 million and Non Major Debt Service Fund balance of \$2.1 million). The deficit fund balance is primarily due to long term liabilities in the Redevelopment Agency (interfund advances) that totals \$17.4 million as of year-end.

Proprietary funds:

The Proprietary Funds provide the same basic type of information found in the government-wide financial statements, but in more detail. The major funds reported are the Sanitation, Transit System Fund, Water Fund and the Sewer Fund.

The Transit System Fund had a decrease in fund equity of \$1.3 million primarily caused by the increase in operating expenses compared to last fiscal year.

The Water Fund increased its fund equity by \$658,132 compared to \$1.6 million last fiscal year. The City did not receive a rebate of surplus revenue from the water district this year compared to \$347,833 received last year while other water revenue fees remained the same. The operating expenses increased by more than a half a million dollars this year compared to last year.

The Sewer Fund decreased its fund equity by \$49,318. This decrease is due to higher operating expenses this year due to some staff positions that were filled in during the year.

Total net assets of the Proprietary Funds at the end of the year amounted to \$158.2 million. The total growth of net assets for these funds was \$256,670 during the year. The major factors that contributed to this growth were discussed earlier in the business-type activities section.

General Fund Budgetary Highlights

Over the course of the year, the City has made revisions to its budget upon City Council's approval. The budget amendments fall into the following categories:

- Program modifications presented to the Finance and Governmental Operations Committee during its first quarter and mid year budget review presentations. Upon approval of the Finance Committee, these program modifications were taken to City Council for further approval.
- Budget transfers within the respective General Fund departments are also subject to approval by the Department Head and City Manager's Office.

The First Quarter Program modifications included the following:

- Approval of the revised organizational structure of the Communications and Information Technology Department (CIT) and the upgrade of two positions to implement the reorganization.
- Approval of the proposed organizational restructure of General Services, and the Cultural Arts Center Administration.
- The approval of one additional HVAC (Heating, ventilation and air conditioning) technician position within the General Services department.
- Increased the Parks and Recreation Department's scholarship budget to mitigate the impact of increased program user fees.
- Approval of one additional semi-skilled laborer to the Public Works Streetscape division for the mowing of Artesia Boulevard and approval of \$30,000 for the purchase of a pick-up truck and mowing equipment.
- Addition of a .8 staff assistant to the Juvenile Diversion program at the Police Department.

The Mid-Year Program modification that affected the General Fund was:

- Approval of one time funding of \$36,000 to outfit four Assessment Units for the Fire Department's Emergency Medical Services.

Although the City was very active in amending its expenditure budget, actual expenditures were \$4.2 million below the final adopted budget amounts due to a total salary savings of \$1.6 million caused by vacancies in various departments and \$2.6 savings from materials, supplies and services during the year.

Resources available for appropriation were \$6.8 million above the final adopted budgeted amount. The increase of actual revenues over budget was due primarily to the increase in utility users' tax, occupancy tax, property taxes, franchise fees, miscellaneous revenues and investment earnings.

The City's General Fund balance of \$38.6 million differs from the General Fund's budgetary fund balance of \$37.2 million reported in the budgetary comparison schedule. The difference in the two fund balances is because budgetary fund

balance includes \$1.4 million of encumbrances reported as expenditures for budgetary purposes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2005 amounts to \$393.2 million (net of accumulated depreciation). The investment in capital assets includes land, right of way, buildings and improvements, equipment, construction in progress and infrastructure assets.

Table 4
Capital Assets
(net of depreciation, in millions)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$45.6	\$45.6	\$5.5	\$6.4	\$51.1	\$52.0
Right of Way	19.3	19.3	-	-	19.3	19.3
Buildings and improvements	38.0	38.1	5.8	6.2	43.8	44.3
Equipment	12.0	12.8	11.0	11.4	23.0	24.2
Infrastructure	149.6	143.5	93.0	93.5	242.6	237.0
Construction in progress	3.6	11.8	9.8	8.4	13.4	20.2
Total	\$268.1	\$271.1	\$125.1	\$125.9	\$393.2	\$397.0

The total capital assets in the governmental activities decreased by \$3 million (\$268.1 million compared to \$271.1 million in 2003-04) and the business activities decreased by \$852,134 (\$125.1 million compared to \$125.9 million in 2003-04). The capital assets are categorized by networks and subsystems in Note 3 of the notes to the basic financial statement. The capital asset activities during the year are also shown in Note 3.

The City's fiscal year 2005-06 adopted capital project budget is projected to be \$20.1 million. The major capital projects for next fiscal year includes: North Torrance Library and McMaster Park redevelopment; City-wide sidewalk ramping/grinding projects; Sewer main replacement and rehabilitation in the Downtown area; Sewer rehabilitation (relining of pipes) and replacement of damaged and deteriorated sewer lines and the Torrance Boulevard rehabilitation (Sartori Avenue to Hawthorne Boulevard and from Hawthorne Boulevard to West City Limit).

The primary sources of funding for the 2005-06 capital projects are: Sewer Enterprise Fund; proceeds from refunding bonds; county grants, and the Transportation Enhancement Act grant.

More detail information about the City's capital assets is presented in Note 3 of the notes to the basic financial statements.

Long-term debt.

At the end of the fiscal year, the City had total bonded debt outstanding of \$102.2 million as shown in Table 5. More detailed information about the City's long-term liabilities is presented in Notes 5 and 6 of the notes to the basic financial statements.

During fiscal year 2004-05, the total debt of the City increased by \$11.2 million. The increase in debt relates to the refunding of the \$43 million 1995 Torrance Improvements Corporation certificates of participation bond.

The City of Torrance Public Financing Authority (Police and Fire) 1998 Refunding Certificates of Participation bonds and the 2004A and 2004B Refunding Certificates of Participation received an 'AAA' rating from Standards & Poor's. The Redevelopment Agency received bond ratings of "AAA" and "BBB" on the outstanding bond issues for the Industrial and Downtown Tax Allocation Bonds.

Per City Charter Article 4 Section 412, the City shall not incur any bonded indebtedness for public improvements, which shall in the aggregate exceed fifteen percent of the assessed value of all the real and personal property of the City. The current debt limitation for the City is \$2.7 trillion which is in excess of the City's outstanding debt.

Table 5
Outstanding Debt
(In Millions)

	Governmental		Business-type		Total	
	Activities		Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue bonds and notes (backed by specific tax and fee revenues)	\$97.6	\$85.6	\$4.6	\$5.4	\$102.2	\$91.0

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City Council adopted in June 2005, a balanced budget for the 2005-06 and 2006-07. The key highlights of the 2005-07 budget includes budget reductions and reallocation but no employee lay-offs; safety services do not have budget reductions

but instead have specific enhancements and the budget provides for wage and benefit adjustment.

This budget addresses a deficit in General Fund for \$868,400 and projected increased costs over the life of the two-year budget cycle inclusive of certain enhancements in fiscal year 2005-06. This is substantially less than the projected deficit of \$3 million and \$3.6 million in fiscal years 2005-06 and 2006-07 respectively, as projected two years ago.

The decline in budget deficit to a manageable level was due to the following:

- Reorganization of Community Services (merger of Parks and Recreation and Library)
- Joint Communication Center for Public Safety
- Growth in property valuation
- Early repayment by the State of borrowed Vehicle-in-lieu tax
- A comfort level in returning \$700,000 a year previously set aside as part of anticipated State of California reductions of City revenues
- Reduction in rates for Public Employees Retirement System (PERS) as partial offset to employee dental health insurance benefit.
- Restructure Community Development and Public Works Departments by shifting the engineering portion of traffic management from Community Development to Public Works.

In spite of the budget challenge, the City was able to:

- Preserve Police and Fire Departments budgets from any reductions, and
- Increase funds in FY 2006-07 for replacement of fire vehicles by \$120,000 annually from \$380,000 to \$500,000

The budget reallocations allowed program modifications for 2005-06 by using internal resources and reductions in department costs to offset the revisions resulting in net zero cost. These are as follows:

General Fund:

- Premium pay for shift fire investigators in lieu of overtime safety budget;
- Add 1 animal control officer by eliminating after hours services from Los Angeles County Animal Care and Control;
- Add 1 semi-skilled laborer for mowing of parkways along Artesia and Hawthorne Boulevard by reducing dump fees in Streetscape and savings from LED modules.

General Fund Revenue Enhancements:

Community Business Donations:

- Totally offset the costs for the 4th of July celebration \$23,500

- Partially offset costs for the Armed Forces Parade and other events \$50,000

Enterprise/External Fund Program Modification:

- Increase Park Ranger program for library branches security after school operating hours and adding .6 Senior Recreation Leader and .1 Recreation Specialist II Positions plus costs of materials and supplies \$19,570

Enterprise/External Revenue Enhancements:

- Increase in After-school club revenue \$78,280
- Increase in swim class revenue \$22,375
- Increase in After-school club revenue by \$1 for Park Ranger program for library branches Security after school operating hours \$19,570

The Department reallocations include position reductions in the following departments: Community Services, Community Development, Finance, Public Works and Transit Departments.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions, about this report or need additional financial information, contact the City of Torrance Finance Department, 3031 Torrance Blvd., Torrance, California 90503.

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City OF Torrance



City of Torrance Veteran's Memorial

Basic Financial Statements

City OF *Torrance*



Torrance Police Station

Government - Wide Financial Statements

❖ DEPARTMENT OF FINANCE ❖

CITY OF TORRANCE, CALIFORNIA

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business-Type Activities	Total
Assets			
Pooled cash and investments (note 2)	\$ 80,910,890	\$ 34,228,445	\$ 115,139,335
Cash and cash equivalents with fiscal agents (note 2)	19,250,435	—	19,250,435
Accounts receivable	6,365,983	5,942,561	12,308,544
Accrued interest receivable	694,251	217,860	912,111
Due from other governments (note 12)	3,916,119	3,217,821	7,133,940
Notes receivable (note 4)	410,703	—	410,703
Internal Balances	846,053	(846,053)	—
Inventories, at cost	800,384	1,060,562	1,860,946
Prepays and other assets	354,594	80,590	435,184
Other	7,905	—	7,905
Restricted cash and investments (note 2)	602,167	683,973	1,286,140
Capital Assets (note 3):			
Land	45,644,658	5,460,942	51,105,600
Right of Way	19,344,662	—	19,344,662
Construction in Progress	3,625,977	9,818,911	13,444,888
Infrastructure, net of accumulated depreciation	149,613,169	93,036,741	242,649,910
Building and improvements, net of accumulated depreciation	37,990,018	5,834,511	43,824,529
Equipment, net of accumulated depreciation	11,964,592	10,972,098	22,936,690
Total assets	382,342,560	169,708,962	552,051,522
Liabilities			
Accounts payable	3,193,844	3,955,292	7,149,136
Accounts payable-contract retention	217,520	—	217,520
Accrued liabilities	4,785,939	1,685,061	6,471,000
Due to other governments	227,928	—	227,928
Unearned revenue (note 13)	—	955,822	955,822
Deposits and guarantees	261,528	28,164	289,692
Construction advances	—	174,884	174,884
Interest Payable	4,794,235	59,833	4,854,068
Long term liabilities-Portion due or payable within one year (notes 5, 6 and 11)	8,875,325	445,000	9,320,325
Long term liabilities-Portion due or payable after one year (notes 5, 6 and 11)	127,484,811	4,165,000	131,649,811
Total Liabilities	149,841,130	11,469,056	161,310,186
Net Assets	232,501,430	158,239,906	390,741,336
Invested in capital assets, net of related debt	220,620,116	120,513,203	341,133,319
Restricted for:			
Streets & Highways	9,100,850	—	9,100,850
Infrastructure	4,924,656	—	4,924,656
Capital Projects	22,803,404	—	22,803,404
Community Development	15,484,268	—	15,484,268
Public Safety	3,688,327	—	3,688,327
Debt Service	5,454,571	683,973	6,138,544
Unrestricted	(49,574,762)	37,042,730	(12,532,032)
Total Net Assets	\$ 232,501,430	\$ 158,239,906	\$ 390,741,336

See accompanying notes to basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Activities and Changes in Net Assets
Year ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 25,771,431	\$ 4,436,822	\$ 9,563,433	\$ —
Public Safety	76,576,325	6,718,893	729,930	—
Public works	18,742,567	648,464	4,221,906	5,696,422
Culture and recreation	10,568,681	946,475	113,431	—
Nondepartmental	6,134,737	—	—	—
Community development	13,137,916	—	—	—
Interest on long term debt	5,685,009	—	—	—
Total Governmental Activities	156,616,666	12,750,654	14,628,700	5,696,422
Business-Type Activities:				
Airport	6,018,392	7,672,082	—	—
Transit	19,515,599	2,547,492	13,096,939	1,410,539
Water	21,375,853	22,095,260	—	52,981
Sewer	2,019,044	2,045,659	—	—
Sanitation	8,487,276	9,591,213	84,811	—
Cultural Arts	1,662,868	806,846	106,799	—
Parks and Recreation	6,975,913	4,179,765	—	—
Emergency Medical Service	7,173,939	1,051,498	—	—
Total Business-Type Activities	73,228,884	49,989,815	13,288,549	1,463,520
Total Primary Government	\$ 229,845,550	\$ 62,740,469	\$ 27,917,249	\$ 7,159,942

General Revenues:

Taxes:
Property taxes
Sales taxes
Other taxes
Investment earnings
Motor vehicle tax (unrestricted)
Miscellaneous
Transfers

Total General revenues and transfers

Change in Net Assets

Net Assets-beginning
Prior period adjustment (note 15)

Net Assets-ending

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (11,771,176)	\$ —	\$ (11,771,176)
(69,127,502)	—	(69,127,502)
(8,175,775)	—	(8,175,775)
(9,508,775)	—	(9,508,775)
(6,134,737)	—	(6,134,737)
(13,137,916)	—	(13,137,916)
(5,685,009)	—	(5,685,009)
(123,540,890)	—	(123,540,890)
—	1,653,690	1,653,690
—	(2,460,629)	(2,460,629)
—	772,388	772,388
—	26,615	26,615
—	1,188,748	1,188,748
—	(749,223)	(749,223)
—	(2,796,148)	(2,796,148)
—	(6,122,441)	(6,122,441)
—	(8,487,000)	(8,487,000)
(123,540,890)	(8,487,000)	(132,027,890)
42,244,810	—	42,244,810
28,311,957	—	28,311,957
55,992,139	—	55,992,139
2,104,293	206,078	2,310,371
946,287	—	946,287
2,026,269	—	2,026,269
(8,537,592)	8,537,592	—
123,088,163	8,743,670	131,831,833
(452,727)	256,670	(196,057)
232,954,157	155,793,262	388,747,419
—	2,189,974	2,189,974
\$ 232,501,430	\$ 158,239,906	\$ 390,741,336

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City OF *Torrance*



Madrona Marsh

Governmental Fund Financial Statements

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CITY OF TORRANCE, CALIFORNIA

Balance Sheet
Governmental Funds
June 30, 2005

	General	Torrance	Industrial	Capital	Nonmajor	Total
	Fund	Public Financing	Redevelopment	Improvement	Governmental	Governmental
Assets	Fund	Debt Service	Debt Service	Fund	Funds	Funds
Pooled cash and investments (note 2)	\$ 19,911,893	\$ —	\$ 6,909	\$ 20,677,969	\$ 25,154,270	\$ 65,751,041
Cash and cash equivalents						
with fiscal agents (note 2)	—	3,347,492	2,357,344	—	13,545,599	19,250,435
Accounts receivable	5,714,554	—	—	—	651,297	6,365,851
Accrued interest receivable	493,661	—	—	—	145,432	639,093
Due from other funds (note 9)	3,941,940	—	—	13,609	—	3,955,549
Due from other governments (note 12)	2,307,016	—	243,027	—	1,366,076	3,916,119
Interfund advances receivable (note 9)	12,888,184	—	—	—	1,267,960	14,156,144
Notes receivable (note 4)	—	—	—	—	410,703	410,703
Other assets	—	—	—	—	7,905	7,905
Prepays	236,077	—	—	—	—	236,077
Restricted cash and investments (note 2)	—	—	—	—	602,167	602,167
Total Assets	\$ 45,493,325	\$ 3,347,492	\$ 2,607,280	\$ 20,691,578	\$ 43,151,409	\$ 115,291,084
Liabilities and Fund Balance						
Liabilities:						
Accounts payable	\$ 1,743,156	\$ —	\$ —	\$ 333,970	\$ 967,218	\$ 3,044,344
Accounts payable-contract retention	—	—	—	68,800	148,720	217,520
Accrued liabilities	4,447,834	—	—	—	—	4,447,834
Due to other funds (note 9)	—	—	—	—	1,144,564	1,144,564
Interfund advances payable (note 9)	600,000	—	17,447,084	—	2,073,992	20,121,076
Due to other governments	—	—	—	—	227,928	227,928
Deposits and guarantees	103,472	—	—	158,056	—	261,528
Total Liabilities	6,894,462	—	17,447,084	560,826	4,562,422	29,464,794
Fund Balances (deficit):						
Reserved for:						
Advances	12,888,184	—	—	—	1,267,960	14,156,144
Encumbrances	1,376,767	—	—	—	—	1,376,767
Capital improvements	—	—	—	—	13,550,277	13,550,277
Notes receivable	—	—	—	—	410,703	410,703
Prepays	236,077	—	—	—	—	236,077
Repayment of debt	—	3,347,492	—	—	2,107,079	5,454,571
Unreserved:						
General Fund:						
Designated for capital outlay	1,378,545	—	—	—	—	1,378,545
Undesignated	22,719,290	—	—	—	—	22,719,290
Reported in:						
Special Revenue Funds	—	—	—	—	17,682,790	17,682,790
Capital Project Funds	—	—	—	20,130,752	3,570,178	23,700,930
Debt Service Fund	—	—	(14,839,804)	—	—	(14,839,804)
Total Fund Balances (deficit)	38,598,863	3,347,492	(14,839,804)	20,130,752	38,588,987	85,826,290
Total Liabilities and Fund Balances	\$ 45,493,325	\$ 3,347,492	\$ 2,607,280	\$ 20,691,578	\$ 43,151,409	\$ 115,291,084

See accompanying notes to basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2005

Total fund balances for governmental funds \$ 85,826,290

Amounts reported for Governmental Activities in the
Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and
therefore are not reported in the Governmental Funds Balance Sheet.

Land	\$ 45,644,658	
Right of Way	19,344,662	
Construction in Progress	3,625,977	
Infrastructure net of \$107,250,622 accumulated depreciation	149,613,169	
Buildings and fixtures, net of \$30,315,151 accumulated depreciation	37,990,018	
Machinery and equipment, net of \$14,300,245 accumulated depreciation	<u>11,964,592</u>	
		268,183,076

Long-Term liabilities, including bonds payable are not due and payable in the current period
and therefore they are not reported in the Governmental Funds Balance Sheet

Compensated absences	(15,916,663)	
City of Torrance Improvements Corporation refunding certificates of participation	(49,885,000)	
Torrance Redevelopment Agency bonds payable	(38,557,501)	
Advances due to developers	(910,790)	
Advances due to County	<u>(8,212,837)</u>	
		(113,482,791)

Accrued Interest payable on long-term debt does not require current financial resources.
Therefore interest payable is not reported as a liability in the Governmental
Fund Balance Sheet.

Accrued interest payable on bonded debt	(945,633)	
Accrued interest on advances from developers	(582,976)	
Accrued interest on advances from the County	<u>(3,265,626)</u>	
		(4,794,235)

Internal service funds are used by management to charge the cost of fleet
management and self-insurance to individual funds. The assets and liabilities
of the internal service funds are included in governmental activities in the
statement of net assets.

(3,230,910)

Net Assets of Governmental Activities

\$ 232,501,430

See accompanying notes to basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2005

	General Fund	Torrance Public Financing Debt Service Fund	Industrial Redevelopment Debt Service Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 116,815,087	\$ —	\$ 5,959,110	\$ —	\$ 4,008,262	\$ 126,782,459
Licenses, fees and permits	2,502,742	—	—	—	—	2,502,742
Fine, forfeitures and penalties	1,332,458	—	—	—	1,025,224	2,357,682
Use of money and property	3,239,216	2,539,714	167,599	—	3,177,411	9,123,940
Intergovernmental	1,406,275	—	—	—	15,481,975	16,888,250
Charges for current services	6,418,381	—	—	—	—	6,418,381
Other revenues	3,345,756	—	42,352	191,910	1,622,060	5,202,078
Total revenues	<u>135,059,915</u>	<u>2,539,714</u>	<u>6,169,061</u>	<u>191,910</u>	<u>25,314,932</u>	<u>169,275,532</u>
Expenditures:						
Current expenditures:						
General government	18,057,672	—	—	—	3,027,263	21,084,935
Nondepartmental	6,134,737	—	—	—	—	6,134,737
Public safety	75,392,041	—	—	—	—	75,392,041
Public works	8,492,631	—	—	—	4,267,863	12,760,494
Community development	—	—	—	—	11,333,608	11,333,608
Culture and recreation	11,283,463	—	—	—	285,792	11,569,255
Capital outlays	—	—	—	3,930,056	2,744,889	6,674,945
Debt service:						
Principal retirement (note 6)	—	1,180,000	665,000	—	3,946,548	5,791,548
Interest and fiscal charges	—	1,348,538	1,686,270	—	1,945,938	4,980,746
Other	—	—	850,570	—	964,281	1,814,851
Total expenditures	<u>119,360,544</u>	<u>2,528,538</u>	<u>3,201,840</u>	<u>3,930,056</u>	<u>28,516,182</u>	<u>157,537,160</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,699,371</u>	<u>11,176</u>	<u>2,967,221</u>	<u>(3,738,146)</u>	<u>(3,201,250)</u>	<u>11,738,372</u>
Other financing sources (uses):						
Transfers in (note 10)	7,516,862	—	—	9,183,379	2,657,567	19,357,808
Transfers out (note 10)	(22,715,857)	—	(2,856,871)	(79,008)	(5,182,310)	(30,834,046)
Proceeds from refunding bonds	—	27,566,037	—	—	—	27,566,037
Proceeds of debt	—	2,783,210	—	—	13,130,719	15,913,929
Bond escrow refunding	—	(27,566,037)	—	—	—	(27,566,037)
Total other financing sources (uses)	<u>(15,198,995)</u>	<u>2,783,210</u>	<u>(2,856,871)</u>	<u>9,104,371</u>	<u>10,605,976</u>	<u>4,437,691</u>
Net change in fund balances	500,376	2,794,386	110,350	5,366,225	7,404,726	16,176,063
Fund balances, July 1, 2004	<u>38,098,487</u>	<u>553,106</u>	<u>(14,950,154)</u>	<u>14,764,527</u>	<u>31,184,261</u>	<u>69,650,227</u>
Fund balances, June 30, 2005	<u>\$ 38,598,863</u>	<u>\$ 3,347,492</u>	<u>\$ (14,839,804)</u>	<u>\$ 20,130,752</u>	<u>\$ 38,588,987</u>	<u>\$ 85,826,290</u>

See accompanying notes to basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2005

Net change in fund balances-total governmental funds \$ 16,176,063

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense plus adjustment (\$8,530,729) exceeded capital outlay/deletions (\$6,621,472) in the current period. (1,909,257)

The issuance of long-term debt (e.g. bonds), provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bond principal payment (Downtown)	\$	160,000	
Bond principal payment (Industrial)		665,000	
Bond principal payment (Skypark)		212,642	
Bond principal payment- defeased debt (Torrance Improvements Corporation & Torrance Public Financing Authority Refunding Certificates of Participation)		30,990,000	
Bond proceeds- defeased debt (Torrance Public Financing Authority Refunding Certificates of Participation)		<u>(43,130,000)</u>	(11,102,358)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transaction that are not normally paid with expendable, available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis until due, rather than as it accrues. This adjustment combines the net changes of accrued interest and advances.

Accrued interest payable on bonded debt	275,714		
Advances from County	(820,421)		
Accrued interest on advances from Developers	(42,352)		
Accrued interest on advances from County	<u>(517,470)</u>		(1,104,529)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	(3,255,065)
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Internal Service funds are used by management to charge the costs of fleet management and self insurance to individual funds. The net revenue of certain activities are reported with the governmental activities	742,419
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Change in net assets of governmental activities	<u><u>\$ (452,727)</u></u>
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See accompanying notes to basic financials statements.

CITY OF TORRANCE, CALIFORNIA

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

General Fund

Year ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
			(See Note A)	positive
				(negative)
Budgetary fund balance, July 1, 2004	\$ 32,117,296	\$ 38,098,487	\$ 38,098,487	
Resources (inflows):				
Taxes:				
Property taxes:				
Current secured taxes	18,831,000	18,831,000	15,819,547	\$ (3,011,453)
Current unsecured taxes	1,100,000	1,100,000	959,176	(140,824)
Prior years' secured taxes	—	—	451,258	451,258
Prior years' unsecured taxes	—	—	155,615	155,615
Property/sales flip taxes	9,382,000	9,382,000	9,164,531	(217,469)
VLF swap and repayment taxes	5,354,999	5,354,999	7,809,363	2,454,364
Penalties and interest	100,000	100,000	88,031	(11,969)
Supplemental prior year secured taxes	292,000	292,000	471,992	179,992
Supplemental current secured	—	—	760,889	760,889
Redemption	170,000	170,000	510,866	340,866
Aircraft assessment tax	100,000	100,000	129,295	29,295
	<u>35,329,999</u>	<u>35,329,999</u>	<u>36,320,563</u>	<u>990,564</u>
Taxes other than property:				
Sales and use tax	28,615,000	28,615,000	28,311,957	(303,043)
Prop 172 sales tax	1,178,000	1,178,000	1,277,589	99,589
Business license tax	6,789,000	6,789,000	6,910,712	121,712
Business permit tax	358,000	358,000	429,202	71,202
Utility users' tax	30,800,000	30,800,000	31,379,829	579,829
Construction tax	894,000	894,000	561,770	(332,230)
Real property transfer tax	1,100,000	1,100,000	1,033,438	(66,562)
Franchise tax – all other	3,410,000	3,410,000	3,303,522	(106,478)
Occupancy tax	6,100,000	6,100,000	6,451,251	351,251
Oil severance tax	30,000	30,000	5,868	(24,132)
Cogeneration tax	600,000	600,000	744,134	144,134
Alarm permit fees	108,532	108,532	85,252	(23,280)
	<u>79,982,532</u>	<u>79,982,532</u>	<u>80,494,524</u>	<u>511,992</u>
Total taxes	<u>115,312,531</u>	<u>115,312,531</u>	<u>116,815,087</u>	<u>1,502,556</u>
Licenses, fees and permits:				
Fire permits	125,488	125,488	106,632	(18,856)
Animal licenses	353,100	7,700	—	(7,700)
Construction/excavation permits	18,000	18,000	28,184	10,184
Grading permits	97,000	97,000	82,995	(14,005)
Combined building – resident permits	100,500	100,500	135,247	34,747
Building permits	670,925	670,925	923,918	252,993
Plumbing permits	106,710	106,710	203,648	96,938
Electrical permits	97,710	97,710	198,083	100,373
Mechanical permits	49,470	49,470	93,942	44,472
Special energy inspection fees	246,000	246,000	474,551	228,551
Sign permits and filing fees	33,000	33,000	31,974	(1,026)
Other licenses and permits	417	417	450	33
NPDES building permit fees	100,000	100,000	211,205	111,205
Building TEQEC filing fees	30,744	30,744	11,913	(18,831)
Total licenses, fees and permits	<u>2,029,064</u>	<u>1,683,664</u>	<u>2,502,742</u>	<u>819,078</u>

See accompanying notes to basic financial statements

(continued)

CITY OF TORRANCE, CALIFORNIA

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

General Fund

(continued)

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis (See Note A)	Final Budget positive (negative)
Fines, forfeitures and penalties:				
Parking citations	\$ 581,000	\$ 581,000	\$ 666,443	\$ 85,443
Traffic fines	470,000	470,000	497,228	27,228
General fines	129,000	129,000	168,787	39,787
Total fines, forfeitures and penalties	1,180,000	1,180,000	1,332,458	152,458
Revenue from use of money and property:				
Investment earnings	1,036,297	1,036,297	1,563,907	527,610
Rents and concessions	516,525	516,525	528,866	12,341
Franchise fees	940,000	940,000	1,131,421	191,421
Encroachment agreement fees	—	—	13,448	13,448
Royalties	3,000	3,000	1,574	(1,426)
Total revenue from use of money and property	2,495,822	2,495,822	3,239,216	743,394
Revenue from other intergovernmental agencies:				
State motor vehicle licenses	1,109,102	1,109,102	946,287	(162,815)
State homeowners' property tax relief	250,000	250,000	241,109	(8,891)
Off highway vehicle licenses	—	—	5,227	5,227
Other state grants	—	—	213,652	213,652
Total revenue from other intergovernmental agencies	1,359,102	1,359,102	1,406,275	47,173
Charges for current services:				
TUSD collection fees	26,000	26,000	50,993	24,993
Planning and zoning fees	289,226	289,226	304,544	15,318
Traffic signal maintenance	52,000	52,000	81,812	29,812
Environmental review and appeal fees	18,987	18,987	11,094	(7,893)
Vacation processing fees	1,300	1,300	—	(1,300)
Large family daycare unit	—	—	310	310
State encroach collection fees	1,000	1,000	3,500	2,500
Grading	38,040	38,040	42,338	4,298
Plan check fees – building	751,273	751,273	827,753	76,480
Plan check fees – engineering	67,700	67,700	78,594	10,894
Oil-related inspection fees	13,320	13,320	7,032	(6,288)
Appeal fees	1,500	1,500	3,480	1,980
Other inspection fees	187,464	187,464	286,814	99,350
Engineering mapping fees	5,000	5,000	12,955	7,955
Engineering inspection fees	35,000	35,000	100,236	65,236
Miscellaneous – building and safety department fees	7,090	7,090	8,656	1,566

See accompanying notes to basic financial statements

(continued)

CITY OF TORRANCE, CALIFORNIA

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

General Fund

(continued)

	Budgeted Amounts		Actual Amounts Budgetary Basis (See Note A)	Variance with Final Budget positive (negative)
	Original	Final		
Charges for current services, Continued:				
Parkway tree planting charges	\$ 100	\$ 100	\$ —	\$ (100)
General government service charges	7,200	7,200	15,268	8,068
Microfilming fees	61,304	61,304	126,227	64,923
Police charges – copies and photos	73,687	73,687	71,783	(1,904)
Police charges – fingerprinting and other	665,906	665,906	565,505	(100,401)
Fire department fees	598,744	598,744	485,341	(113,403)
Fire department fees – hazardous materials fees	465,150	465,150	547,982	82,832
Miscellaneous	84,400	84,400	82,076	(2,324)
Library revenues	193,910	193,910	154,089	(39,821)
In lieu charges to Enterprise Funds:				
Airport Fund	1,850,000	1,850,000	1,850,000	—
Water Fund	700,000	700,000	700,000	—
Total charges for current services	6,195,301	6,195,301	6,418,382	223,081
Other revenues:				
Donations – private sources	5,000	5,000	71,708	66,708
Miscellaneous	40,300	40,300	3,274,047	3,233,747
Total other revenues	45,300	45,300	3,345,755	3,300,455
Transfers in	7,579,700	7,516,862	7,516,862	—
Amounts available for appropriation	168,314,116	173,887,069	180,675,264	6,788,195
Charges to appropriations (outflows)				
General government:				
City council	388,798	392,021	363,723	28,298
Commissions and committees:				
Parks and recreation	13,700	13,700	10,732	2,968
Planning	37,600	37,600	36,244	1,356
Environmental quality	13,500	13,500	11,647	1,853
Cultural arts	14,000	14,000	13,949	51
Community services	47,500	50,000	47,799	2,201
Traffic	8,800	8,800	6,013	2,787
Youth council	9,000	9,000	5,492	3,508
Civil service	157,829	190,262	183,916	6,346
Commission on aging	4,200	4,200	1,297	2,903
Library	10,300	10,300	10,015	285
Disaster council	3,000	3,000	240	2,760
City manager	2,032,977	2,023,161	1,858,126	165,035
City attorney	2,255,185	2,290,684	2,186,377	104,307
City clerk	801,072	637,518	622,577	14,941
City treasurer	663,482	651,547	651,547	—
Finance	3,448,302	3,335,447	3,147,947	187,500
Human resources	2,528,405	2,419,283	2,118,251	301,032
Civil service	35,528	37,832	44,056	(6,224)
Community development	5,077,904	3,733,954	3,500,272	233,682
Communications & Info Tech	3,591,811	4,102,771	3,912,242	190,529
General services	4,477,063	4,414,995	4,158,549	256,446
Less indirect cost allocation, other funds	(4,126,192)	(4,126,192)	(3,955,995)	(170,197)
Total general government	21,493,764	20,267,383	18,935,016	1,332,367

See accompanying notes to basic financial statements

(continued)

CITY OF TORRANCE, CALIFORNIA

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

General Fund

(continued)

	Budgeted Amounts		Actual Amounts Budgetary Basis (See Note A)	Variance with Final Budget positive (negative)
	Original	Final		
Nondepartmental:				
Insurance, net	\$ 25,344	\$ 25,344	\$ 19,050	\$ 6,294
Community promotion	258,732	271,788	227,576	44,212
Hazardous waste	75,750	75,750	17,733	58,017
Employee benefits (net after charges to departments)	1,783,728	1,920,814	1,663,211	257,603
Other	3,515,875	2,428,208	1,517,663	910,545
Leaseback payments	2,707,516	2,736,516	2,732,513	4,003
Total nondepartmental	8,366,945	7,458,420	6,177,746	1,280,674
Public safety:				
Police	49,997,025	49,481,409	49,480,066	1,343
Fire	23,449,260	23,357,434	23,306,881	50,553
Building and safety	3,336,926	3,006,657	2,831,317	175,340
Total public safety	76,783,211	75,845,500	75,618,264	227,236
Public works	9,627,449	9,316,792	8,673,411	643,381
Total public works	9,627,449	9,316,792	8,673,411	643,381
Culture and recreation:				
Parks and recreation	5,749,061	5,687,279	5,418,729	268,550
Library	6,288,816	6,084,061	5,914,145	169,916
Total culture and recreation	12,037,877	11,771,340	11,332,874	438,466
Transfers out	12,087,449	22,943,978	22,715,857	228,121
Total Charges to appropriations	140,396,695	147,603,413	143,453,168	4,150,245
Budgetary Fund Balance, July 1, 2005	\$ 27,917,421	\$ 26,283,656	\$ 37,222,096	\$ 10,938,440

See accompanying notes to basic financial statements

CITY OF TORRANCE, CALIFORNIA

Budgetary Comparison Statement

Budget-to-GAAP Reconciliation

General Fund

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$	180,675,264
Differences - budget to GAAP		
The fund balance at the beginning of the year is not a current year revenue for financial reporting purposes		(38,098,487)
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes.		<u>(7,516,862)</u>
Total Revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$	<u><u>135,059,915</u></u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to to appropriations" from the budgetary comparison schedule.	\$	143,453,168
Differences - budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes		(1,376,767)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes		<u>(22,715,857)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$	<u><u>119,360,544</u></u>

City OF Torrance



Zamperini Field - Torrance Municipal Airport

Proprietary Fund Financial Statements

❖ DEPARTMENT OF FINANCE ❖

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CITY OF TORRANCE, CALIFORNIA

Statement of Net Assets

Proprietary Funds

June 30, 2005

Assets	Business Type						Governmental
	Proprietary Funds						Activity
	Sanitation Fund	Transit System Fund	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Total	Internal Service Funds
Current assets:							
Pooled cash and investments (note 2)	\$ 4,866,575	\$ 814,587	\$ 12,783,715	\$ 10,828,506	\$ 4,935,062	\$ 34,228,445	\$ 15,159,849
Restricted cash and investments (note 2)	—	—	683,973	—	—	683,973	—
Accounts receivable	983,297	2,333	4,377,107	242,779	337,045	5,942,561	132
Accrued interest receivable	—	6,274	99,171	82,862	29,553	217,860	55,158
Inventory	—	685,813	374,749	—	—	1,060,562	800,384
Due from other governments (note 12)	5,768	3,113,617	—	—	98,436	3,217,821	—
Prepays	5,979	18,871	30,919	150	24,671	80,590	118,517
Total current assets	5,861,619	4,641,495	18,349,634	11,154,297	5,424,767	45,431,812	16,134,040
Advances to other funds (note 9)	—	—	1,164,931	800,000	—	1,964,931	4,000,000
Capital assets, net (note 3)	74,092	14,545,213	60,962,256	43,187,273	6,354,369	125,123,203	6,615,004
Total noncurrent assets	74,092	14,545,213	62,127,187	43,987,273	6,354,369	127,088,134	10,615,004
Total Assets	5,935,711	19,186,708	80,476,821	55,141,570	11,779,136	172,519,946	26,749,044
Liabilities							
Current liabilities (payable from current assets):							
Accounts payable	162,845	397,060	2,861,234	2,839	531,314	3,955,292	149,500
Due to other funds (note 9)	2,634,333	—	—	—	176,651	2,810,984	—
Accrued liabilities	387,673	851,334	337,971	—	108,083	1,685,061	338,105
Unearned revenues (note 13)	—	242,523	—	—	713,299	955,822	—
Accrued liabilities for self-insurance claims - current (note 11)	—	—	—	—	—	—	6,780,331
Current liabilities (payable from restricted assets):							
Current bonds payable - interest	—	—	59,833	—	—	59,833	—
Current bonds payable - principal (note 6)	—	—	445,000	—	—	445,000	—
Construction advances	—	—	174,884	—	—	174,884	—
Total current liabilities	3,184,851	1,490,917	3,878,922	2,839	1,529,347	10,086,876	7,267,936
Noncurrent liabilities							
Deposits and guarantees	—	—	—	—	28,164	28,164	—
Long-term obligations (note 6)	—	—	4,165,000	—	—	4,165,000	—
Accrued Liability for self-insurance claims long-term (note 11)	—	—	—	—	—	—	16,097,014
Total noncurrent liabilities	—	—	4,165,000	—	28,164	4,193,164	16,097,014
Total Liabilities	3,184,851	1,490,917	8,043,922	2,839	1,557,511	14,280,040	23,364,950
Net Assets							
Invested in capital assets, net of related debt	74,092	14,545,213	56,352,256	43,187,273	6,354,369	120,513,203	6,615,004
Restricted	—	—	683,973	—	—	683,973	—
Unrestricted	2,676,768	3,150,578	15,396,670	11,951,458	3,867,256	37,042,730	(3,230,910)
Total Net Assets	\$ 2,750,860	\$ 17,695,791	\$ 72,432,899	\$ 55,138,731	\$ 10,221,625	\$ 158,239,906	\$ 3,384,094

See accompanying notes to basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2005

	Business Type Proprietary Funds					Governmental Activity	
	Sanitation Fund	Transit System Fund	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Total	Internal Service Funds
Operating revenues:							
Charges for services	\$ 9,450,357	\$ 2,325,612	\$ 20,732,198	\$ 1,729,332	\$ 13,646,496	\$ 47,883,995	\$ 4,658,327
Other	—	140,604	973,886	3,269	9,505	1,127,264	—
Total operating revenues	9,450,357	2,466,216	21,706,084	1,732,601	13,656,001	49,011,259	4,658,327
Operating expenses:							
Salaries and employee benefits	3,723,365	10,871,656	3,003,332	463,086	13,701,091	31,762,530	1,205,107
Services and supplies	1,938,410	1,927,641	911,075	9,087	1,567,779	6,353,992	447,197
Other professional services	1,903,245	2,025,138	302,184	29,539	1,663,816	5,923,922	—
Depreciation /amortization	16,746	2,034,209	971,023	881,169	272,411	4,175,558	1,716,954
Insurance and claims	182,102	361,223	69,351	840	33,711	647,227	3,742,565
City charges	719,987	2,225,864	1,512,640	122,356	3,084,649	7,665,496	—
Cost of water	—	—	12,625,396	—	—	12,625,396	—
Other	3,421	69,868	1,498,011	512,967	1,266,862	3,351,129	15,396
Total operating expenses	8,487,276	19,515,599	20,893,012	2,019,044	21,590,319	72,505,250	7,127,219
Operating income (loss)	963,081	(17,049,383)	813,072	(286,443)	(7,934,318)	(23,493,991)	(2,468,892)
Nonoperating revenues (expenses):							
Investment earnings	140,856	41,728	389,176	313,058	150,028	1,034,846	189,674
Gain (loss) on sale of capital assets	—	10,500	—	—	—	10,500	82,991
Assistance from other governments	—	13,182,037	—	—	—	13,182,037	—
Interest expense	—	—	(482,841)	—	(240,793)	(723,634)	—
Grants	84,811	—	—	—	106,799	191,610	—
Other, net	—	—	—	—	54,190	54,190	—
Total nonoperating revenues(expenses) net	225,667	13,234,265	(93,665)	313,058	70,224	13,749,549	272,665
Income (loss) before contributions and operating transfers	1,188,748	(3,815,118)	719,407	26,615	(7,864,094)	(9,744,442)	(2,196,227)
Capital grants	—	1,410,539	52,981	—	—	1,463,520	—
Transfers in (note 10)	75,000	1,166,525	—	—	10,267,849	11,509,374	3,065,989
Transfers out (note 10)	(156,436)	(70,914)	(114,256)	(75,933)	(2,554,243)	(2,971,782)	(127,343)
Change in net assets	1,107,312	(1,308,968)	658,132	(49,318)	(150,488)	256,670	742,419
Total net asset - July 1, 2004	1,643,548	19,004,759	69,772,880	54,999,962	10,372,113	155,793,262	2,641,675
Prior period adjustment (note 15)	—	—	2,001,887	188,087	—	2,189,974	—
Total net assets - June 30, 2005	\$ 2,750,860	\$ 17,695,791	\$ 72,432,899	\$ 55,138,731	\$ 10,221,625	\$ 158,239,906	\$ 3,384,094

See accompanying notes to basic financial statements.

CITY OF TORRANCE, CALIFORNIA

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2005

	Business Type						Governmental
	Proprietary Funds						Activity
	Sanitation Fund	Transit System Fund	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Total	Internal Service Funds
Cash flow from operating activities:							
Receipts from customers	\$ 9,516,813	\$ 2,325,612	\$ 20,207,960	\$ 1,651,679	\$ 13,752,972	\$ 47,455,036	\$ 4,663,615
Cash payments to suppliers for goods and services	(4,800,056)	(6,882,943)	(15,333,681)	(672,526)	(7,572,816)	(35,262,022)	(4,397,274)
Cash payments to employees for services	(3,701,405)	(10,797,429)	(3,083,177)	(463,086)	(13,675,470)	(31,720,567)	(1,194,446)
Internal activity-payments from (to) other funds	2,634,333	—	—	—	(365,203)	2,269,130	—
Donations	—	—	—	—	54,190	54,190	—
Other receipts	—	140,604	973,886	—	9,505	1,123,995	—
Net cash provided by (used in) operating activities	3,649,685	(15,214,156)	2,764,988	516,067	(7,796,822)	(16,080,238)	(928,105)
Cash flows from noncapital financing activities:							
Grants and subsidies	84,811	11,762,263	—	—	106,799	11,953,873	—
Transfers received	75,000	1,166,525	—	—	10,267,849	11,509,374	3,065,989
Transfers paid	(156,436)	(70,914)	(114,256)	(75,933)	(2,554,243)	(2,971,782)	(127,343)
Advances to other funds	—	—	—	—	539,705	539,705	—
Net cash provided by (used in) noncapital financing activities	3,375	12,857,874	(114,256)	(75,933)	8,360,110	21,031,170	2,938,646
Cash flows from capital financing activities:							
Grants and subsidies	—	1,410,539	52,981	—	—	1,463,520	—
Capital expenditures	2,233	(1,487,261)	(1,970,606)	—	(486,649)	(3,942,283)	(715,909)
Proceeds from the sales of capital assets	—	971,105	—	—	—	971,105	96,736
Long-term obligations - principal & interest	—	—	—	—	(240,793)	(240,793)	—
Long-term bonds - principal & interest	—	(298,700)	(1,006,172)	—	—	(1,304,872)	—
Net cash provided by (used in) capital financing activities	2,233	595,683	(2,923,797)	—	(727,442)	(3,053,323)	(619,173)
Cash flows from investing activities:							
Interest on investments (expense)	140,856	48,550	364,268	290,512	66,120	910,306	170,324
Net increase (decrease) in cash, restricted cash and cash equivalents	3,796,149	(1,712,049)	91,203	730,646	(98,034)	2,807,915	1,561,692
Cash, restricted cash and cash equivalents, July 1, 2004	1,070,426	2,526,636	13,376,485	10,097,860	5,033,096	32,104,503	13,598,157
Cash, restricted cash and cash equivalents, June 30, 2005	\$ 4,866,575	\$ 814,587	\$ 13,467,688	\$ 10,828,506	\$ 4,935,062	\$ 34,912,418	\$ 15,159,849
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	963,081	(17,049,383)	813,072	(286,443)	(7,934,318)	(23,493,991)	(2,468,892)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization	16,746	2,034,209	971,023	881,169	272,411	4,175,558	1,716,954
Other capital project expenses	—	—	1,467,446	—	—	1,467,446	—
Change in assets and liabilities:							
Accounts receivable	72,224	632	(524,238)	(80,922)	(71,241)	(603,545)	6,370
Due from other government	(5,768)	—	—	—	46,087	40,319	—
Donations	—	—	—	—	54,190	54,190	—
Prepays and other assets	(5,954)	(18,797)	(20,184)	(150)	(834)	(45,919)	(84,023)
Inventories	—	(56,729)	(8,419)	—	—	(65,148)	(11,291)
Accounts payable	(46,937)	(119,353)	26,360	2,413	44,835	(92,682)	(96,934)
Due to other funds	2,634,333	—	—	—	(365,203)	2,269,130	—
Accrued salaries and benefits	21,960	73,596	(79,845)	—	25,146	40,857	9,711
Deposits and guarantees	—	—	(2,538)	—	(3,116)	(5,654)	—
Unearned revenues	—	(78,331)	122,311	—	135,221	179,201	—
Net cash provided by (used in) operating activities	\$ 3,649,685	\$ (15,214,156)	\$ 2,764,988	\$ 516,067	\$ (7,796,822)	\$ (16,080,238)	\$ (928,105)

Noncash, investing, capital, and financing activities:

During fiscal year 2004-05, there were no significant noncash investing, capital, or financing activities.

See accompanying notes to basic financial statements.

City OF Torrance



Japanese Garden

Fiduciary Fund Financial Statements

❖ DEPARTMENT OF FINANCE ❖

CITY OF TORRANCE, CALIFORNIA

Statement of Fiduciary Fund Assets and Liabilities - Agency Funds

June 30, 2005

	Total Agency Funds
Assets	
Pooled cash and investments (note 2)	\$ 2,877,648
Restricted cash (note 2)	198,224
Accrued interest receivable	6,570
Due from other governments (note 12)	40,318
Total assets	<u>\$ 3,122,760</u>
Liabilities	
Deposits payable	\$ 2,188,542
Held in trust for agency funds	934,218
Total Liabilities	<u>\$ 3,122,760</u>

See accompanying notes to basic financial statements.

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City OF Torrance



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Notes to Financial Statements

❖ DEPARTMENT OF FINANCE ❖

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

(1) Description of Funds and Summary of Significant Accounting Policies

Reporting Entity

The City of Torrance (the City) was incorporated in 1921 and became a charter city in 1947. The City is governed by an elected mayor and a six-member council and provides a wide range of services including police and fire protection, sanitation and water services, airport and bus transit services, the construction and maintenance of streets and infrastructure, and recreational activities. The accompanying comprehensive annual financial report includes the financial activities of the City of Torrance, the primary government, and its component units, entities for which the government is considered to be financially accountable. A description of the component units and the method of incorporating their financial information into the financial statements are summarized as follows:

The Redevelopment Agency of the City of Torrance (the Agency), a separate governmental entity, was established in November 4, 1964 pursuant to the Health and Safety Code of the State of California. The purpose of the Agency is to prepare and carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the City. City Council members, in separate session, serve as the governing board of the Agency, and all accounting and administrative functions are performed by the City. The financial activity of the Agency has been blended into the City's financial statements within the Governmental Activities in the financial statements.

The Torrance Public Financing Authority (the Authority) was created in 1997 to assist the City of Torrance in constructing certain fire and police protection, maintenance and entertainment facilities within the City. The City has entered into non-cancelable long-term leases with the Authority, which provide for lease payments in amounts sufficient to meet the annual debt service requirements on the bonds and certificates of participation issued by the Authority. The leases are financing arrangements that transfer the ownership of the facilities back to the City at the end of the lease. The financial activity of the Authority has been blended into the City's financial statements within the Governmental Activities in the financial statements.

Separate financial statements for the Redevelopment Agency and the Torrance Public Financing Authority can be obtained from the City's Finance Director.

Government-Wide and Fund Financial Statements

The Government-wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

The Statement of Activities and Changes in Net Assets demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are allocated based on the annual City-wide cost allocation plan. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions, including special assessments, that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenues. In the Statement of Activities and Changes in Net Assets, internal service fund transactions have been eliminated; however, those transactions between the governmental and business type activities have not been eliminated.

Separate financial statements are provided for governmental funds, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements, major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows.

Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in these funds when susceptible to accrual (i.e. when they are both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose the City considers property taxes collected after year end, as available if they are collected within 60 days of the end of the current fiscal period. Other revenues susceptible to accrual include sales tax, state gasoline taxes, utility users tax, investment income and certain other intergovernmental revenues. A 45-day availability period is used for revenue recognition for all other governmental fund revenues. Expenditures in the governmental funds are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long term debt, which is recognized when due.

The City reports the following major Governmental Funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Torrance Public Financing Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs for certain capital projects including the construction and financing of fire and police protection facilities.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

The *Industrial Redevelopment Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs for the City's Industrial Redevelopment project area.

The *Capital Improvement Fund* is used to account for the acquisition, construction and improvement of capital facilities financed by grants and transfers from the General Fund.

The City reports the following major Proprietary Funds:

The *Sanitation Fund* is used to account for the operation of the City's refuse, wastewater, waste management system including its recycling program.

The *Transit Fund* is used to account for the operation of the City's transit system.

The *Water Fund* is used to account for the provision of water services to the residences and businesses of the City.

The *Sewer Fund* is used to account for the revenues and expenses associated with the operation and improvement of the City's sewer system.

Additionally, the City reports the following fund types:

The *Internal Service Funds* are used to account for the resources, goods and services provided by one department to other departments or agencies of the City on a cost reimbursement basis.

The *Agency Funds* are used to account for the resources held by the City in a fiduciary capacity.

The proprietary funds are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities and Changes in Net Assets presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the Water Enterprise Fund, the Sewer Enterprise Fund, the Sanitation Enterprise Fund, the Parks and Recreation Enterprise Fund, the Cultural Arts Enterprise Fund, the Transit Enterprise Fund, Emergency Medical Services and the Municipal Airport Enterprise Fund are charges for goods and services. Operating expenses for these same proprietary funds include the cost of sales and services, administration expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

All proprietary fund types are accounted for using the full-accrual basis of accounting. Under the full-accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

incurred. In accordance with GASB Statement No. 20, for Proprietary Fund accounting, the City applies all applicable GASB pronouncements, as well as the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor authoritative Boards, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The City's fiduciary funds include agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for on an accrual basis of accounting.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources, as they are needed.

Accounting for Encumbrances

The encumbrance system of accounting is used wherein encumbrances outstanding at year-end are not reported as expenditures, but are reported as a reservation of fund balance for subsequent year expenditures based on the encumbered appropriation authority carried over. An encumbrance is recorded as a charge against appropriations in the accounting period in which a purchase order is issued, rather than in the accounting period when goods or services are received, as required by generally accepted accounting principles.

Cash and Investments

The City pools all nonrestricted cash from all funds for the purpose of increasing interest earnings through investment activities. Investments are carried at fair value. Fair value is estimated by the City's investment management service. The fair value of guaranteed investment contracts and other investments with no regular market are at cost. The fair value of mutual funds, government-sponsored investment pools and other similar investments is stated at share value. Certain money market investments with initial maturities at the time of the purchase of less than one year are recorded at cost which approximates market. Interest income is allocated monthly to the various funds based on their average monthly cash balances. Interest income earned on restricted cash and investments is deposited directly to the fund earning the income.

For purposes of reporting cash flows for Proprietary Fund Types, cash and cash equivalents include cash on hand and investments purchased with maturities within 90 days. Cash includes deposits in the cash management pool that has the general characteristics of a demand deposit account.

Restricted Cash and Investments

Cash and investments restricted as to their use either by bond resolution or by the funding agency to a specific purpose are classified as restricted cash and investments.

Inventories

Inventories of supplies as determined by perpetual records are accounted for using the consumption method and are stated at cost applied on a first-in, first-out basis. The Water Enterprise Fund, Transit Enterprise Fund and Fleet Services base stock inventories are reported as assets and are equally offset by

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

fund balance/retained earnings reserves thereby indicating that the inventory does not constitute an “available spendable resource” even though it is a component of net assets.

Capital Assets

The City’s assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the useful life of the assets as follows:

Buildings – 40 years

Improvements – 40 years

Equipment – 5 to 7 years

Infrastructure – 20 to 80 years

For Proprietary Fund Types, fixed assets are recorded at historical cost, except assets of the Water Enterprise Fund acquired prior to June 30, 1980 which are recorded at their estimated historical cost. Depreciation is provided for on the straight-line method over the estimated useful lives of the assets.

Property Tax Calendar

In 1978, a state constitutional amendment (Proposition 13) provided that the property tax rate is generally limited to 1% of market value, levied only by the county and shared with all other jurisdictions. The County of Los Angeles collects the taxes and distributes such revenues to taxing jurisdictions on the basis of the taxing jurisdictions’ assessed valuations subject to adjustments for voter-approved debt. Property taxes levied on March 1, are due on November 1 and March 1 and become delinquent on December 10 and April 10 for the first and second installments, respectively. The lien date is March 1. City property tax revenues are recognized when levied to the extent that they result in current receivables collectible within 60 days.

Pension Plan

All permanent City employees are members of the State of California Public Employees’ Retirement System (PERS). The City funds substantially all pension costs as determined annually by PERS actuarial evaluation (see note 7).

All permanent non-safety employees are also covered under the Federal Insurance Contributions Act (FICA).

Vacation and Sick Leave

It is the policy of the City to record the cost of vested vacation and sick leave as earned. This amount is included as a liability in the governmental activities in Government-wide statements.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

Claims and Judgments

The City is self-insured for state unemployment insurance, general liability claims, long-term disability and individual workers' compensation claims of City employees up to certain limits. The City has established risk financing Internal Service Funds where assets are set aside for claim settlements. The unpaid claims liabilities are included in the Self-Insurance Internal Service Fund.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Budgetary Principles

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund only. The City uses the modified accrual plus encumbrances as its budgetary basis of accounting. The City is required by its Charter to adopt an annual budget for the General Fund; annual budgets are not required for Special Revenue and Capital Project Funds because effective budgetary control is achieved through alternative means, such as project-by-project analysis and provisions of the bond indentures. From the effective date of the General Fund budget, the amounts stated therein, as proposed expenditures become appropriations to the various City departments.

The City Council may amend the budget by a majority vote during the fiscal year. The City Manager may make such changes within the budget totals and allocations of any department during the fiscal year as he deems reasonably necessary in order to meet the City's needs or goals, however, the City Manager may not increase appropriations allocated in the budget for any department without an amendment to the budget approved by the City Council. All operating appropriations lapse at the end of the fiscal year to the extent they have not been expended or encumbered. Capital project appropriations lapse when individual projects are completed or canceled.

General Fund expenditures may not legally exceed budgeted appropriations at the department level. Budgeted revenue amounts, as presented in the accompanying financial statements, represent the original budget as modified by adjustments during the year for those items which were contingent upon new or additional revenue sources. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

2) Cash and Investments

Cash and investments as of June 30, 2005 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$115,139,335
Cash and investments held by bond trustee	19,250,435
Restricted cash and investments	1,286,140
Fiduciary funds:	
Cash and investments	2,877,648
Restricted cash and investments	<u>198,224</u>
Total cash and investments	<u>\$138,751,782</u>

Cash and investments as of June 30, 2005 consist of the following:

Cash on hand	\$ 23,096
Deposits with financial institutions	13,742,846
Investments	<u>124,985,840</u>
Total cash and investments	<u>\$138,751,782</u>

Investments Authorized by the California Government Code and the City of Torrance Investment Policy

The table below identifies the **investment types** that are authorized for the City of Torrance by the California Government Code and the City of Torrance investment policy. The table also identifies certain provisions of the California Government Code (or the City of Torrance investment policy, if more restrictive) that address **interest rate risk, credit risk, and concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City of Torrance, rather than the general provisions of the California Government Code or the City of Torrance investment policy.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

Investment Types Authorized by State Law	Authorized By Investment <u>Policy</u>	*Maximum <u>Maturity</u>	*Maximum Percentage <u>Of Portfolio</u>	*Maximum Investment <u>In One Issuer</u>
Local Agency Bonds	Yes	5 years	10%	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	45%	None
Banker's Acceptances	Yes	180 days	20%	5%
Commercial Paper	Yes	270 days	15%	10%
Negotiable Certificates of Deposit	Yes	5 years	20%	None
Repurchase Agreements	Yes	30 days	10%	None
Reverse Repurchase Agreements	No	N/A	N/A	None
Medium-Term Notes	Yes	5 years	20%	None
Mutual Funds	No	N/A	N/A	N/A
Money Market Mutual Funds	No	N/A	N/A	N/A
Mortgage Pass-Through Securities	No	N/A	N/A	None
County Pooled Investment Funds	No	N/A	N/A	None
Local Agency Investment Fund (LAIF)	Yes	N/A	\$40 mil per agency	None
JPA Pools (other investment pools)	No	N/A	N/A	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City of Torrance investment policy. The table below identifies the **investment types** that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address **interest rate risk**, **credit risk**, and **concentration of credit risk**.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None
Local Agency Investment Fund	None	None	None

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City of Torrance manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City of Torrance investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City of Torrance investments by maturity:

		Remaining Maturity (in Months)			
		12 Months Or Less	13 to 24 Months	25-60 Months	More Than 60 Months
Investment Type					
U.S. Treasury notes	\$ 15,053,781	2,999,649	3,999,173	8,054,959	-
Local Municipal Bonds	2,257,501	-	-	-	2,257,501
Federal agency securities	55,794,484	21,999,260	17,992,044	15,803,180	-
Corporate medium term notes	24,087,234	4,008,520	4,502,200	15,576,514	-
Commercial paper	1,092,840	1,092,840	-	-	-
State investment pool	<u>26,700,000</u>	<u>26,700,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	124,985,840	56,800,269	26,493,417	39,434,653	2,257,501
Held by bond trustee:					
Federal Agency Disc Note	1,653,109	1,653,109	-	-	-
Money market funds	23,878	23,878	-	-	-
Investment contracts	<u>18,082,537</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,082,537</u>
Total	<u>\$144,745,364</u>	<u>58,477,256</u>	<u>26,493,417</u>	<u>39,434,653</u>	<u>20,340,038</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City of Torrance investments (including investments held by bond trustees) include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above):

<u>Highly Sensitive Investments</u>	<u>Fair Value at Year End</u>
Federal agency securities. This security is a callable step-up note – on certain specified dates, the issuer can call the security. If the security is not called, the interest rate increases by a specified amount.	\$993,440

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City of Torrance investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type		Minimum Legal Rating	Exempt from Disclosure	Rating as of Year End		
				AAA	Aa	Not Rated
U.S. Treasury notes	\$ 15,053,781	N/A	\$ 15,053,781	-	-	-
Local Municipal Bonds	2,257,501		-	-	-	2,257,501
Federal agency securities	55,794,484	N/A	-	55,794,484	-	-
Corporate medium term notes	24,087,234	A	-	10,518,522	13,568,712	-
Commercial paper	1,092,840	A	-	-	1,092,840	-
Banker's acceptance	-	N/A	-	-	-	-
Mortgage-backed securities	-	AA	-	-	-	-
State investment pool	26,700,000	N/A	-	-	-	26,700,000
SUBTOTAL	124,985,840		15,053,781	66,313,006	14,661,552	28,957,501
Held by bond trustee:						
Money market funds	23,878	A	-	23,878	-	-
Federal agency securities	1,653,109	N/A	-	1,653,109	-	-
Investment contracts	18,082,537	N/A	-	17,529,452	553,085	-
TOTAL	<u>\$ 144,745,364</u>		<u>15,053,781</u>	<u>85,519,445</u>	<u>15,214,637</u>	<u>28,957,501</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

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Concentration of Credit Risk

The investment policy of the City of Torrance contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of **total City of Torrance investments** are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Farm Credit Agency	Federal agency securities	\$ 16,983,334
Federal Home Loan Bank	Federal agency securities	25,828,079
Federal Home Loan Mortgage Co	Federal agency securities	7,983,259

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City of Torrance investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2005, \$638,565 of the City of Torrance deposits with financial institutions in excess of federal depository insurance limits were secured by pledged securities in an undivided collateral pool held in the name of Bank of America under trust with Bank of New York Western Trust. As of June 30, 2005, City of Torrance investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City of Torrance to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
Federal agency securities	\$ 6,999,260
Corporate medium term notes	14,015,414

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

For investments identified herein as held by bond trustee, the bond trustee, at the direction of the City Treasurer, selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

Investment in State Investment Pool

The City of Torrance is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City of Torrance investment in this pool is reported in the accompanying financial statements at amounts based upon the City of Torrance pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

(3) Capital Assets

Infrastructure Assets at June 30, 2005 (in thousands):

Description	Cost	Accumulated Depreciation	Net Cost
Road system	\$236,341	(\$101,990)	\$134,351
Storm drain system	20,523	(5,261)	15,262
Sewer lines	65,892	(25,140)	40,752
Water System	77,983	(25,698)	52,285
	<u>\$400,739</u>	<u>(\$158,089)</u>	<u>\$242,650</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

Capital Asset activity for the year ended June 30, 2005 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$45,613	35	(3)	\$45,645
Right of Way	19,344	-	-	19,344
Construction in progress	11,785	2,046	(10,205)	3,626
Total capital assets not being depreciated	<u>76,742</u>	<u>2,081</u>	<u>(10,208)</u>	<u>68,615</u>
Capital assets being depreciated:				
Land improvements and buildings	66,812	1,493	-	68,305
Machinery and equipment	25,542	2,049	(1,326)	26,265
Infrastructure	244,912	13,544	(1,592)	256,864
Total capital assets being depreciated	<u>337,266</u>	<u>17,086</u>	<u>(2,918)</u>	<u>351,434</u>
Less accumulated depreciation for:				
Land improvements and buildings	(28,717)	(1,598)	-	(30,315)
Machinery and equipment	(12,753)	(2,859)	1,312	(14,300)
Infrastructure	(101,459)	(6,479)	687	(107,251)
Total accumulated depreciation	<u>(142,929)</u>	<u>(10,936)</u>	<u>1,999</u>	<u>(151,866)</u>
Total capital assets, being depreciated, net	<u>194,337</u>	<u>6,150</u>	<u>(919)</u>	<u>199,568</u>
Governmental activities capital assets, net	<u>\$271,079</u>	<u>\$8,231</u>	<u>(\$11,127)</u>	<u>\$268,183</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets not being depreciated:				
Land	6,422	-	(961)	5,461
Construction in progress	11,835	2,257	(4,273)	9,819
Total capital assets not being depreciated	<u>18,257</u>	<u>2,257</u>	<u>(5,234)</u>	<u>15,280</u>
Capital assets being depreciated:				
Infrastructure	141,362	2,813	(300)	143,875
Land improvements and buildings	14,088	19	-	14,107
Machinery and equipment	26,266	1,523	(1,185)	26,604
Furniture and fixtures	393	33	-	426
Total capital assets being depreciated	<u>182,109</u>	<u>4,388</u>	<u>(1,485)</u>	<u>185,012</u>
Less accumulated depreciation for:				
Infrastructure	(49,053)	(1,978)	193	(50,838)
Land improvements and buildings	(7,843)	(430)	-	(8,273)
Machinery and equipment	(14,943)	(1,924)	1,181	(15,686)
Furniture and fixtures	(363)	(9)	-	(372)
Total accumulated depreciation	<u>(72,202)</u>	<u>(4,341)</u>	<u>1,374</u>	<u>(75,169)</u>
Total capital assets, being depreciated, net	<u>109,907</u>	<u>47</u>	<u>(111)</u>	<u>109,843</u>
Business-type activities capital assets, net	<u><u>128,164</u></u>	<u><u>2,304</u></u>	<u><u>(5,345)</u></u>	<u><u>125,123</u></u>

The capital assets for the Fleet Services Fund have been consolidated into the governmental activities, and are included in the machinery and equipment category: asset additions amounted to \$743,400 and asset deductions amounted to \$1,325,518.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands):

Governmental Activities:	
General government	\$3,610
Public safety	415
Public works	5,855
Culture and recreation	368
	<hr/>
Total depreciation expense - governmental activities	<u>\$10,248</u>
Business-type activities:	
Water	\$971
Sewer	881
Sanitation	17
Cultural Arts Center	4
Emergency Medical Services	1
Parks & Recreation	2
Airport	265
Transit	2,034
	<hr/>
Total depreciation expense - business-type activities	<u>\$4,175</u>

Included in the depreciation charge to general government is the amount of depreciation for Fleet Services, an internal service fund. This amount includes additions of \$1,716,954 and retirements of \$1,311,774 or net addition to accumulated depreciation in the amount of \$405,180.

(4) Notes Receivable

a) Redevelopment Agency

This represents a note with the Redevelopment Agency for property located at 1256 and 1266 Sartori Avenue. The agreement included a two part loan totaling \$311,574. The first part of the loan for \$186,574 is to be repaid with 7% interest over a period of twenty years. The original term of the loan was ten years however, it was modified in August, 2002 increasing the amount from \$150,000 to \$186,574 and extending the term to twenty years. Repayment of this loan commenced in FY02-03. The second part of the loan consists of a no-interest loan for \$125,000, repayment of which is spread over 30 years. The balance remaining on this two part loan as of June 30, 2005 is \$298,148.

b) Rehabilitation Housing

This represents a number of small loans given to eligible participants in the City's Federal Housing Rehabilitation program. These loans, usually less than \$10,000, are no-interest loans that will be repaid when the property is sold. The balance of these loans as of June 30, 2005 is \$112,555.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

(5) Long-term Debt

a) Redevelopment Agency Bonds

2001 Tax Allocation Refunding Bonds – Skypark Project

On December 31, 2001 the Agency issued the Skypark 2001 Tax Allocation Refunding Bonds in the aggregate principal amount of \$2,470,143 with an average interest rate of 8% per annum. The proceeds of the Refunding Bonds were used to redeem the 1987 Tax Allocation Bonds in full, at a price equal to the principal amount plus accrued interest to the date of redemption, without premium, in accordance with Section 11 of the 1987 Bond Resolution and the conditional notice of redemption sent to the Owners of the 1987 Bonds on December 1, 2001. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$269,857. This difference is reported in the accompanying financial statements as a deduction from bonds payable. The Agency completed the refunding to reduce its total debt service payments over the next ten years by \$513,548 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$162,372. The bonds will mature on July 1, 2012, with annual principal payments ranging from \$158,000 to \$319,000. Interest is payable on July 1 and January 1 of each year at the rate of 8%. The principal and interest are to be repaid directly from tax increments accruing to the Agency.

1998 Series A Tax Allocation Refunding Bonds – Downtown Project

On July 15, 1998, the Agency issued \$8,500,000 Tax Allocation Refunding Bonds. Proceeds of the Bonds were used to refund the Agency's outstanding Downtown Redevelopment Project Tax Allocation Refunding Bonds, Series 1992, to repay the entire obligation represented by the Gascon Mar Loan, to fund a reserve for the Bonds and to pay the costs of issuing the Bonds. Commencing September 1, 1999, \$2,415,000 of the 1998 Bonds mature serially through 2012 with annual principal payments ranging from \$115,000 to \$230,000. Starting from September 1, 2013 and continuing through 2028, the principal on the term bonds totaling \$6,045,000 is payable annually in amounts ranging from \$245,000 to \$555,000. Interest is payable on March 1 and September 1 of each year with rates ranging from 4.10% to 5.30% for serial bonds and 5.55% to 5.60% for term bonds. Principal and interest are to be repaid directly from the tax increments accruing to the Agency.

1998 Series A and B Tax Allocation Refunding Bonds, 1999 Series C Tax Allocation Refunding Bonds – Industrial Project

On July 1, 1998, the Agency issued \$18,385,000 Tax Allocation Senior Lien Refunding Bonds, 1998 Series A and \$12,770,000 Tax Allocation Subordinate Lien Refunding Bonds, 1998 Series B. On June 15, 1999, the Agency issued \$18,500,000 Tax Allocation Senior Lien Forward Refunding Bonds, 1999 Series C. Proceeds of the Series A Bonds and the Series B Bonds were used to refund the Agency's outstanding Industrial Redevelopment Project Tax Allocation Refunding Bonds, Series 1989, to repay the Torrance Center II obligation represented by the Gascon Mar Loan, to fund a reserve for the Bonds and to pay the costs of issuing the Bonds. The Series C Bonds were used to redeem and refund the 1998 Series A Bonds, to fund a reserve account and to pay the costs

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

of issuing the Series C Bonds. Commencing September 1, 1999, \$11,745,000 of the 1998 and 1999 bonds mature serially to 2013 in annual principal payments ranging from \$265,000 to \$1,355,000. Starting from September 1, 2014 and continuing through 2028, the principal on the term bonds totaling \$19,525,000 is payable semiannually in amounts ranging from \$870,000 to \$1,845,000. Interest is payable on March 1 and September 1 of each year with rates ranging from 4.400% to 5.625%. Principal and interest are to be repaid from tax increments accruing to the Agency.

Annual debt service requirements to maturity for all tax allocation redevelopment bonds to be paid from the Redevelopment Agency Debt Service Funds are as follows (in thousands):

	Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
2006	1,120	2,136	3,256
2007	1,209	2,071	3,280
2008	1,299	2,001	3,300
2009	1,401	1,926	3,327
2010	1,505	1,804	3,309
2011-2015	7,789	7,662	15,451
2016-2020	6,655	5,842	12,497
2021-2025	8,705	3,726	12,431
2026-2029	8,875	1,019	9,894
Total	\$38,558	\$28,187	\$66,745

b) Water Fund Revenue Bonds

In December 2004, the City of Torrance issued \$5,050,000 in Water Revenue Refunding Bonds, Series A, to provide funds for the redemption of its \$8,065,000 1994 Water Revenue Refunding Bonds and for the construction of various water projects and related facilities for the City's water system. Debt proceeds and 1994 Water Revenue Refunding Bond reserves of \$5,296,684 were deposited in an irrevocable trust with an escrow agent to redeem the 1994 Bonds on December 1, 2004. Accordingly, such bonds, aggregating \$5,090,000, were considered defeased and the liability was removed from the Water Enterprise Fund. The total net cash flow required to service the 1994 debt as of December 1, 2004 was \$5,986,409 while the amount required for the 2004 debt is \$5,470,208. The net present value of the difference in these cash flows results in an economic gain of \$473,539. In accordance with GASB Statement No. 23, the refunding resulted in a net accounting loss of \$148,186, which has been expensed instead of amortizing over the life of the bonds due to the amount being immaterial.

The refunding bonds bear interest rates ranging from 3.0% to 5.0%. Interest is payable semiannually on March 1 and September 1. Among the provisions of the bond resolutions, the Water Fund

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

covenants require that fees and charges for water services must be sufficient to yield net revenues equal to at least 125% of debt service for each fiscal year. At June 30, 2005, the \$4,610,000 face amount of the refunding bonds was outstanding, of which \$445,000 has been classified as a current liability in the accompanying proprietary fund financial statements.

Annual debt service requirements to maturity for Water Fund refunding bonds are as follows (in thousands):

	Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
2006	445	179	624
2007	455	166	621
2008	465	153	618
2009	500	139	639
2010	500	123	623
2011-2014	2,245	264	2,509
Total	\$4,610	\$1,024	\$5,634

c) Certificates of Participation

1995 Refunding Certificates of Participation

In October 1995, the Corporation issued refunding certificates of participation in the principal amount of \$43,000,000 to provide for the advance refunding of \$35,425,000 of 1986 refunding certificates previously issued to finance the construction and acquisition of certain fire protection, maintenance and entertainment facilities and construction of recreation and aviation facilities. The 1986 certificates were defeased by placing the proceeds of the new certificates in an irrevocable trust to provide for all future debt service payments on the old certificates. At June 30, 2005, all 1986 certificates have been redeemed and there are no certificates outstanding.

The 1995 refunding certificates of participation for \$43,000,000 were dated October 1, 1995. The principal matured April 1 of each year through 2005 when the certificates were paid in full. In 2005, the certificates were defeased by placing the proceeds of the new certificates in an irrevocable trust to provide for all future debt service payments on the old certificates. At June 30, 2005, all the 1995 certificates have been redeemed and there are no certificates outstanding. The certificates that matured after April 1, 2005 have been redeemed at a premium price of \$559,300 or 102% of the face value. Annual debt service requirements that have matured and been defeased are \$29,810,000.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

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1998 Refunding Certificates of Participation

In 1991, the City of Torrance issued \$5,950,000 of certificates of participation (1991 Police COP's) to refinance certain lease revenue bonds issued by the Torrance Civic Center Authority to construct the City's police facilities and an adjacent parking area. The outstanding 1991 Police COP's had an average interest rate of 6.75% and a final maturity date of July 1, 2012. The City also issued \$3,520,000 of certificates of participation for improvements to a fire station in 1991 (1991 Fire COP's) with an outstanding balance that had an average rate of 6.29%. In December 1998, the Authority issued \$10,300,000 of refunding certificates of participation to refund the 1991 Police COP's and 1991 Fire COP's for substantial interest rate savings. In addition, given the low interest rates at the time and significant value of the pledged asset (the Police Building valued at \$16,230,000), the City raised additional funds for capital projects by extending the term of the lease payments to a 30-year certificate of participation with an average interest rate of 5.07%. The City generated approximately \$2,900,000 for capital projects. As a result, the 1991 Police and Fire COP's were considered defeased, and the related liability was removed from the books. The refunding bond generated a net economic gain of approximately \$2,568,000, which represents a 4.79% present value savings.

The refunding certificates of participation for \$10,300,000 are dated December 1, 1998. The principal matures December 1 of each year through 2028 at variable amounts ranging from \$160,000 to \$590,000. Interest is payable semiannually on June 1 and December 1, with interest ranging from 4.0% to 4.75% and \$7,760,000 remains outstanding as of June 1, 2005. Certificates maturing on or before December 1, 2007 are subject to optional prepayment in whole or in part, on any business day on or after December 1, 2006 at the stated prepayment price.

Annual debt service requirements to maturity for certificates of participation to be paid from the City's Debt Service Funds with General Fund revenues are as follows (in thousands):

	Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
2006	180	356	536
2007	195	348	543
2008	195	340	535
2009	205	332	537
2010	215	323	538
2011-2015	1260	1458	2718
2016-2020	1575	1129	2704
2021-2025	1980	708	2688
2026-2029	1955	191	2146
Total	\$7,760	\$5,185	\$12,945

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

2004 A and B Refunding Certificates of Participation

In 2004, the Torrance Public Financing Authority issued \$43,130,000 of refunding certificates of participation, series A and series B to refinance the 1995 certificates of participation issued by the Torrance Improvement Corporation to construct certain maintenance and entertainment facilities within the City. Debt proceeds and the 1995 certificates of participation reserves of \$3,470,479 were deposited in an irrevocable trust with an escrow agent to redeem the 1995 certificates of participation on April 1, 2005. As a result the 1995 certificates of participation are considered defeased, and the related liability has been removed from the books. The City generated approximately \$13,130,719 for capital projects. The total net cash flow required to service the 1995 certificates of participation as of October 13, 2005 would have been \$35,065,262 while the amount required for the 2004 series A and B debt is \$56,014,615. The refunding bond generated a net economic loss of approximately \$1,440,487. The refunding resulted in a net accounting loss of \$340,053 which has been expensed instead of amortizing over the life of the bonds due to the amount being immaterial.

2004 A Refunding Certificates of Participation

The refunding certificates of participation for series A in the amount of \$19,215,000 are dated October 13, 2004. The principal matures June 1 of each year through 2034 at variable amounts ranging from \$315,000 to \$1,005,000. Interest is payable semiannually on June 1 and December 1, with interest rates ranging from 2% to 5% and \$18,210,000 remains outstanding as of June 30, 2005. Certificates maturing on or before June 1, 2015 are subject to optional prepayment, in whole or in part, on any business day on or after June 1, 2014 at the stated prepayment price.

Annual debt service requirements are as follows:

	Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
2006	795,000	746,259	1,541,259
2007	810,000	730,359	1,540,359
2008	830,000	714,159	1,544,159
2009	850,000	693,409	1,543,409
2010	875,000	667,909	1,542,909
2011 to 2015	4,085,000	2,901,045	6,986,045
2016 to 2020	1,810,000	2,314,212	4,124,212
2021 to 2025	2,300,000	1,819,500	4,119,500
2026 to 2030	2,935,000	1,184,500	4,119,500
2031 to 2024	2,920,000	374,250	3,294,250
	<u>\$18,210,000</u>	<u>\$12,145,602</u>	<u>\$30,355,602</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

2004 B Refunding Certificates of Participation

The refunding certificates of participation for series B in the amount of \$23,915,000 are dated January 5, 2005. The principal matures June 1 commencing in 2015 and is due June 1 each year after until 2034 at variable amounts ranging from \$720,000 to \$1,855,000. Interest is payable semiannually on June 1 and December 1, with interest rates ranging from 5.0% to 5.25% and \$23,915,000 remains outstanding as of June 30, 2005. Certificates are subject to an optional prepayment, in whole or in part, on any business day on or after June 1, 2014 at the stated prepayment price.

Annual debt service requirements are as follows:

	Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
2006	—	1,232,962	1,232,962
2007	—	1,232,962	1,232,962
2008	—	1,232,962	1,232,962
2009	—	1,232,962	1,232,962
2010	—	1,232,962	1,232,962
2011 to 2015	720,000	6,164,813	6,884,813
2016 to 2020	4,165,000	5,588,563	9,753,563
2021 to 2025	5,315,000	4,438,313	9,753,313
2026 to 2030	6,835,000	2,919,263	9,754,263
2031 to 2034	6,880,000	926,100	7,806,100
	<u>\$23,915,000</u>	<u>\$26,201,862</u>	<u>\$50,116,862</u>

d) Advances and Notes Payable

At June 30, 2005, the City and its Redevelopment Agency had advances and notes payable in the following amounts:

Redevelopment Agency – Advances from developers: On June 9, 1987, the Redevelopment Agency and Honda entered into a First Implementation Agreement that amended the Participation Agreement to provide for an additional advance in the amount of \$3,000,000. This is to be repaid from available tax increments generated by Honda after providing for debt service on the outstanding Industrial Tax Allocation Bonds. The note shall be due and payable in full on July 19, 2012 with an interest rate adjusted semiannually using the average California Municipal Bond Index, source Merrill Lynch (or in the absence of a rate for similar bonds then for other District General Obligation Bonds) for the last 14 calendar days preceding the adjustment date. At June 30, 2005, the principal balance outstanding is \$910,790 and the accrued interest is \$582,976.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

Redevelopment Agency – Advance from Los Angeles County: The maximum annual debt service on Agency indebtedness may not exceed \$1,550,000. Such advances are to be repaid in the fiscal year immediately following the year in which the Agency's annual tax increment allocation exceeds the annual debt service requirement. This advance bears simple interest at the rate of 7.0% per year. At June 30, 2005, the principal balance outstanding is \$8,212,838 and accrued interest is \$3,265,626.

Transit Fund

On December 1, 1992, the City issued Certificates of Participation 1992 Series C in the aggregate principal amount of \$3,390,000. Proceeds from the certificates were used to finance the acquisition of 14 Gillig Transit Buses to be operated by the City of Torrance. Sources of funding for the lease payments were 80% from FTA Section 9 Capital Grants and 20% from local transportation funds. Funds for the procurement of the buses and the lease payments were made through Bank of New York Western Trust Company (Trustee). These certificates were paid off in July 2004.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

(6) Changes in Long-Term Obligations

The following is a summary of changes in the City's long-term obligations for the year ended June 30, 2005 (in thousands):

Governmental Activities:	Balance July 1, 2004	Incurred or Issued	Satisfied or Matured	Balance June 30, 2005	Amounts due within One Year	Amounts Due in more than One Year
Compensated Absences payable	\$15,253	4,786	4,122	\$15,917	-	15,917
Claims & Judgements	22,877	-	-	22,877	6,780	16,097
Advances and notes payable	8,303	820	-	9,123	-	9,123
Tax Allocation Bonds:						
Skypark project refunding	2,470	-	212	2,258	230	2,028
Downtown project refunding	7,815	-	160	7,655	165	7,490
Industrial project refunding	29,310	-	665	28,645	725	27,920
Certificates of Participation:						
1995 Capital Improvements refunding certificates	29,810	-	29,810	-	-	-
1998 Police and Fire refunding certificates	7,935	-	175	7,760	180	7,580
2004 A refunding certificates	-	19,215	1,005	18,210	795	17,415
2004 B refunding certificates	-	23,915	-	23,915	-	23,915
Total Governmental Activities	<u>\$123,773</u>	<u>48,736</u>	<u>36,149</u>	<u>\$136,360</u>	<u>8,875</u>	<u>127,485</u>
Business-Type Activities:						
Revenue Bonds - Water Fund	\$5,090	5,050	5,530	\$4,610	445	4,165
Certificates of Participation - Transit Fund	290	-	290	-	-	-
Total Business-Type Activities	<u>\$5,380</u>	<u>5,050</u>	<u>5,820</u>	<u>\$4,610</u>	<u>445</u>	<u>4,165</u>

Compensated Absences

The City's policy regarding compensated absences is described in Note 1. The long-term portion of this debt, amounting to \$15,916,663 is recorded in the governmental funds and is expected to be paid from future resources. In prior years, compensated absences have been liquidated primarily by the general fund.

Claims and Judgements

The long-term liability for self-insurance claims and judgements is recorded in the Self-Insurance Fund of the Internal Service Funds and the liability is liquidated in that fund. Since the internal service funds

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

primarily serve the governmental funds, the long-term liability for claims and judgements has been included in the governmental activities in the Government-wide Statement of Net Assets.

(7) Employee Benefits

Defined Benefit Pension Plan

Plan Description

The City of Torrance's Defined Benefit Pension Plan (Plan) provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to Plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the state of California. A menu of benefit provisions as well as other requirements is established by state statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through City ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

All full-time and part-time benefited City employees are eligible to participate in CalPERS. Benefits vest after five years of service. City employees who retire at or after age 50 with 5 years of credited service are entitled to an annual retirement benefit payable monthly for life in an amount equal to the following: Police - 3% of their average salary during their last year of employment who retire at or after age 50; Fire - 3% of their average salary during their last year of employment who retire at or after age 50; and Miscellaneous - 2% of their average salary during their last year of employment who retire at or after age 55. This percentage increases incrementally after each year of credited service up to 29 years for safety employees and 38 years for miscellaneous employees. The system also provides for death and disability benefits. The retirement benefit for each above group is calculated by multiplying the number of years of service times the above stated percentages with a maximum cap for safety at 90% of salary and 95% for miscellaneous employees. These benefit provisions and all other requirements are established by statute and City ordinance.

Funding Policy

Safety and miscellaneous plan members are required to contribute 9% and 7%, respectively, of their annual covered salary, which the City has opted to assume on behalf of substantially all of their employees. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members.

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2005 was 7.56% for miscellaneous employees, 32.93% for fire employees and 39.10% for police employees. The contribution requirements for Plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

Annual Pension Cost

For the year ended June 30, 2005 the City's annual pension cost and its actual contributions were \$24,240,860. The City contributed \$17,122,440 on behalf of their employees. Employees directly contributed \$7,118,420. The required contribution for the year ended June 30, 2005 was determined as part of the June 30, 2002 actuarial valuation using the entry-age-normal-actuarial-cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members and from 3.25% to 13.15% for safety members; (c) 3.25% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.0% and an annual production growth of 0.25%. The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two-to five-year period depending on the size of investment gains and/or losses. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Three-Year Trend Information for the Plan

Fiscal year ended June 30	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligations
2003	\$ 14,761,485	100%	—
2004	16,810,674	100	—
2005	24,240,860	100	—

Required Supplementary Information-Pension Funding Information

Funded Status of the Plan

(Dollars in millions)

Valuation date (June 30)	Entry age normal accrued liability	Actuarial value of assets	Unfunded/ (overfunded) liability (UAAL)	Funded ratio	Annual covered payroll	UAAL as a % of payroll
2002	\$ 665.9	\$ 599.9	\$ 66.0	90.1%	\$ 85.3	77.4%
2003	710.0	605.7	104.3	85.3	88.0	118.5
2004	764.7	636.6	128.1	83.2	88.7	114.3

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

(8) Deferred Compensation Plan

During fiscal year 1973-74, the City Council adopted Resolution 74-120 establishing a deferred compensation plan (Plan) for the benefit of its eligible employees. The City established the Plan to attract and hold well-qualified City employees by permitting them to make special provisions for monthly payments upon retirement. The Plan was qualified under the applicable provisions of the Federal Internal Revenue Code and complies with the provisions of Sections 53212 and 53214 of the California Government Code. Prior to fiscal year 1996-97, in accordance with Section 457 of the Internal Revenue Code, all assets of the Plan remained the property of the City until paid or made available to participants, subject only to the claims of the City's general creditors.

As a result of changes to Section 457 deferred compensation plans resulting from the Small Business Job Protection Act of 1996, the City's deferred compensation plan administrator, Great West Life & Annuity Insurance Company (GWLAIC) established a custodial account on behalf of the Plan participants. Effective July 1, 1998, all amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts are held in the custodial account for the exclusive benefit of the employee participants and their beneficiaries.

While the City has full power and authority to administer and to adopt rules and regulations for the Plan, all investment decisions under the Plan are the responsibility of the Plan participants. The City has no liability for losses under the Plan, but does have the duty of due care that would be required of an ordinary prudent investor. Under certain circumstances, employees may modify their arrangements with the Plan to provide for greater or lesser contributions or to terminate their participation. If participants retire under the Plan or terminate service with the City, they may be eligible to receive payments under the Plan in accordance with provisions thereof. In the event of serious financial emergency, the City may approve, upon request, withdrawals from the Plan by the participants, along with their allocated contributions.

The following is a summary of the increases and decreases of Plan net assets available for participants and beneficiaries for the year ended June 30, 2005:

Balance, July 1, 2004	\$ 87,769,971
Deferrals of compensation	8,114,905
Net investment earnings	5,880,191
Payment to Plan participants	<u>(7,175,001)</u>
Plan net assets available for participants and beneficiaries, June 30, 2005	<u>\$ 94,590,066</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

(9) Other Required Individual Fund Disclosures

Interfund Transactions – Due to/Due from other funds

Interfund receivable and payable balances at June 30, 2005 were as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sanitation Fund	2,634
	Nonmajor Governmental Funds	1,131
	Nonmajor Business-type	177
		<u>3,942</u>
Nonmajor Governmental Funds	Nonmajor Governmental Funds	14
		<u>14</u>
		<u>3,956</u>

These receivables represent short-term loans to cover negative cash balances in various funds.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

Interfund Transactions - Advances

The balances of advances between funds at June 30, 2005 were as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Industrial Redevelopment Debt Service Fund	11,272
	Nonmajor Governmental Funds	1,616
		<u>12,888</u>
Water Enterprise Fund	Industrial Redevelopment Debt Service Fund	1,155
	Nonmajor Governmental Funds	10
		<u>1,165</u>
Sewer Enterprise Funds	Industrial Redevelopment Debt Service Fund	800
		<u>800</u>
Internal Service Funds	Industrial Redevelopment Debt Service Fund	4,000
		<u>4,000</u>
Nonmajor Governmental Funds	General Fund	600
	Industrial Redevelopment Debt Service Fund	221
	Nonmajor Governmental Funds	447
		<u>1,268</u>
		<u>20,121</u>

The advances to the Industrial Redevelopment Debt Service Fund represent loans to fund infrastructure improvements. Advances to the Nonmajor Governmental Funds also represent advances to the Downtown Redevelopment Debt Service Fund and the Downtown Redevelopment Capital Projects Fund (both nonmajor governmental funds). The Advance from the General Fund to the Drainage Fund (a non-major governmental fund) represents a loan to fund the implementation of the National Pollution Discharge Elimination System (NPDES).

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

(10) Transfers In and Out

The balances of transfers between funds at June 30, 2005 were as follows (in thousands):

Transfer From	Transfer To	Amount
General Fund	Capital Improvements Fund	\$ 8,739
	Nonmajor Business Type Funds	10,268
	Internal Service Funds	2,701
	Nonmajor Governmental Funds	1,008
		<u>22,716</u>
Capital Improvements Fund	General Fund	<u>79</u>
Industrial Redevelopment Debt Service Fund	General Fund	2,150
	Nonmajor Governmental Funds	707
		<u>2,857</u>
Sanitation Enterprise Fund	General Fund	1
	Internal Service Funds	155
		<u>156</u>
Water Enterprise Fund	General Fund	25
	Internal Service Funds	89
		<u>114</u>
Sewer Enterprise Fund	General Fund	1
	Sanitation Enterprise Fund	75
		<u>76</u>
Internal Service Funds	General Fund	31
	Nonmajor Governmental Funds	80
Internal Service Funds – Fleet Services	Internal Service Funds – Self Insurance	16
		<u>127</u>
Nonmajor Enterprise Funds	General Fund	2,390
	Capital Improvements Fund	87
	Internal Service Funds	51
	Nonmajor Government Funds	26
		<u>2,554</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

Nonmajor Governmental Funds	General Fund	2,803
	Capital Improvements Fund	357
	Transit Enterprise Fund	1,167
	Nonmajor Governmental Funds	837
	Internal Service Funds	19
		<u>5,183</u>
Transit Enterprise Fund	General Fund	37
	Internal Service Funds	34
		<u>71</u>
Total		<u>33,933</u>

Major activity within the fund transfers category can be summarized as follows:

- Transfers to the Self Insurance Fund represent contributions to fund self insured claims;
- Transfers to the Fleet Services Fund represent contributions for fleet acquisitions;
- Transfers to the General Fund from the Industrial Redevelopment Fund represent sales tax revenues from the redevelopment project areas;
- Transfers to the Street Lighting Assessment Fund, the Cultural Arts Fund, the Emergency Medical Service Fund and the Parks & Recreation Enterprise Funds represent additional subsidies for those funds' regular operations;
- Transfers to the Capital Improvements Funds represent contributions to fund various capital projects; and
- Transfers to the Transit fund represent the transfer of Prop A exchanges purchased by the General Fund and the transfer of Prop C monies used to fund Transit Operations.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

(11) Risk Management

The City self-insures some risks, often within certain dollar limits, and fully insures other risks through the purchase of commercial insurance.

Liability: The City insures automobile and general liability risks to \$3,000,000 per occurrence. There is excess liability coverage of \$10,000,000 for amounts above the \$3,000,000 self insured retention.

The City also purchases insurance with no or low deductibles covering the following specific risks: The Airport, pollution involving waste haulers, Workforce Investment Network, 4th of July celebration and Train Ride, the Farmer's Market and certain special events.

Workers' Compensation: The City is self-insured for workers' compensation risks up to \$2,000,000 per occurrence. Excess coverage is in place for amounts above the \$2,000,000 self-insured retention with a limit of \$100,000,000 per occurrence.

Property: The City purchases all risk property insurance, subject to exclusions, covering City buildings, contents, higher cost vehicles, and machines subject to deductibles of \$1,000 to \$100,000 per occurrence depending upon the type of loss.

Crime: The City purchases crime (bond type) insurance up to \$2,000,000 per occurrence for the loss of money and securities caused by employees and or others.

Short and Long Term Disability: The City purchases commercially available insurance to cover claims.

The City had one large workers' compensation claim in the past three years that exceeded the self-insured retention. The claim involves a firefighter with acute leukemia. The date of occurrence was May 8, 2002. Between July 1, 2001 and June 30, 2002 the City had a \$750,000 self-insured retention. Approximately \$1,600,000 has been paid on the claim to date, with the ultimate loss estimated at approximately \$1,900,000. The City is receiving recoveries for amounts over the \$750,000 self-insured retention.

As of June 30, 2005, \$20,273,384 and \$2,603,961 have been accrued for workers' compensation and general liability claims, respectively. These accruals represent estimates of amounts to be ultimately paid for reported claims and incurred but unreported claims based upon past experience, modified for current trends and other information.

Changes in the balance of claim liabilities during the period for all Self-Insurance Funds combined are as follows (in thousands):

<u>Fiscal years</u>	<u>Beginning fiscal year liability balance</u>	<u>Current year claims and changes in estimates</u>	<u>Claim payments</u>	<u>Ending fiscal year balance</u>
2003-04	\$ 22,879	1,876	(1,876)	22,879
2004-05	\$ 22,879	2,817	(2,817)	22,879

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

(12) Due from Other Governments

Amounts due from other governments consisted of the following at June 30, 2005 (in thousands):

	<u>State of California</u>	<u>Federal Agencies</u>	<u>County of Los Angeles</u>	<u>Other Local Governments</u>	<u>Total</u>
Governmental Funds:					
General Fund	\$1,924	—	383	—	\$2,307
Special Revenue Funds:					
Air Quality Improvement Fund	49	—	—	—	49
Workforce Investment Network	3	—	25	215	243
Grants & Donations	80	28	—	—	108
Debt Service Fund:					
Skypark Redevelopment	—	—	120	—	120
Downtown Redevelopment	—	—	846	—	846
Industrial Redevelopment	164	—	79	—	243
Enterprise Funds:					
Transit System	—	1,929	1,160	25	3,114
Sanitation	6	—	—	—	6
Parks & Recreation	—	—	98	—	98
Subtotal	<u>2,226</u>	<u>1,957</u>	<u>2,711</u>	<u>240</u>	<u>7,134</u>
Fiduciary Fund:					
Municipal Area Express	—	—	40	—	40
Total	<u>\$2,226</u>	<u>1,957</u>	<u>2,751</u>	<u>240</u>	<u>\$7,174</u>

(13) Unearned Revenue

The table below shows activity for the City's unearned revenue accounts as of June 30, 2005. The unearned revenue in the Transit Fund represents a security reserve that will be recognized when eligible purchases occur. The Airport rents received in June for July will be recognized in July. In May and June of 2005, the Parks & Recreation Enterprise Fund collected revenues for summer classes which begin in July. These revenues will be recognized in July.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

Unearned Revenue Activity for Fiscal Year Ended June 30, 2005 (in thousands)

	Balance at July 1, 2004	Additions	Deductions	Balance at June 30, 2005
Transit Security Reserve	\$ 321	-	78	\$ 243
Airport Rents received for July	60	170	60	170
Parks & Recreation Enterprise Fund revenues received in May and June for July classes	518	544	518	544
Other	15	-	15	-
	<u>\$ 914</u>	<u>714</u>	<u>671</u>	<u>\$ 957</u>

(14) Deficit Fund Equity (Accumulated Deficit)

The Self-Insurance Internal Service Fund reflected an accumulated deficit of \$10,964,594 at June 30, 2005. Such deficit is attributed to recording increases in the reserve for general liability claims resulting from settlements of claims in excess of established reserves and from increasing reserves for pending cases. In fiscal year-ended 2001, an adjustment of \$9,005,667 was made for Self-Insurance Fund Workers Compensation and Liability Claims. This adjustment was based on the actuarial study report as of fiscal year ended June 30, 2001. It is anticipated that the deficit will be reduced over future years through increases in annual charges made through the budgeting process, as they become necessary. Excess charges will be distributed to all funds proportionately depending on their proportionate benefit of the Self-Insurance Fund, which resulted in the accumulated deficit balance.

The Emergency Medical Services Fund has a deficit of \$72,524 as of June 30, 2005. This fund was created in fiscal year 2003-04. The deficit is being reduced through collection of fees and an increase in subsidy.

Parks and Recreation has an accumulated deficit of \$93,652 as of June 30, 2005. This deficit will be reduced with a larger subsidy in fiscal year ending June 30, 2006.

The Drainage Improvement Fund has an accumulated deficit of \$6,116 due to capital project expenditures that will be reimbursed with fees from subsequent years.

The Downtown Redevelopment Capital Projects Fund has an accumulated deficit of \$1,319,558 as of June 30, 2005, which represents the inclusion of advances due to other funds. This deficit will be reduced by future tax increment payments after annual bond payments have been made.

The Industrial Redevelopment Debt Service Fund has an accumulated deficit of \$14,839,804 as of June 30, 2005, which represents the inclusion of advances due to other funds. This deficit will be reduced by future tax increment payments after annual bond payments have been made.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2005

(15) Prior Period Adjustments

During the year ended June 30, 2005, the City restated the beginning net assets of the Water Fund. This was done to restate capital assets as of June 30, 2004 to eliminate amounts recorded as construction in progress which were also included in the infrastructure capital asset report.

Net assets for business-type activities, beginning, as previously reported:	\$ 155,793,262
Adjustment of infrastructure per GASB 34 - Water Fund	2,001,887
Sewer Fund	<u>188,087</u>
Net assets for business-type funds, beginning as adjusted	<u>\$ 157,983,236</u>

(16) Commitments and Contingencies

The City has various outstanding contracts and purchase orders for services, supplies, materials and capital projects that have not been completed as of fiscal year-end. These commitments total \$8,788,993 at June 30, 2005.

The City has been named as a defendant in certain other claims and litigation matters. In the opinion of City management, the outcome of such litigation is not expected to result in a material adverse effect on the financial condition of the City beyond that accrued for in the City's Self-Insurance Fund.

In November 1996, the voters approved the "Right to Vote on Taxes Act" (Proposition 218) which limits the City's ability to levy general taxes and benefit assessments without voter/property owner approval and restricts the City's ability to change property-related fees.

City OF *Torrance*



44th Armed Forces Day Parade

Combining Financial Statements and Schedules

❖ **D E P A R T M E N T O F F I N A N C E** ❖

City OF Torrance



Stanley Remelmeyer Cable Building

Non-Major Governmental Funds

CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2005

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Assets				
Pooled cash and investments	\$ 18,709,149	\$ 5,611,337	\$ 833,784	\$ 25,154,270
Cash and cash equivalents				
with fiscal agents	—	12,948,110	597,489	13,545,599
Accounts receivable	651,297	—	—	651,297
Accrued interest receivable	96,061	42,938	6,433	145,432
Due from other governments	400,255	—	965,821	1,366,076
Interfund advances receivable	1,267,960	—	—	1,267,960
Notes receivable	112,555	298,148	—	410,703
Other assets	—	7,905	—	7,905
Restricted cash and investments	602,167	—	—	602,167
Total Assets	\$ 21,839,444	\$ 18,908,438	\$ 2,403,527	\$ 43,151,409
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ 757,621	\$ 209,597	\$ —	\$ 967,218
Accounts payable-contract retention	148,720	—	—	148,720
Due to other funds	1,010,074	134,490	—	1,144,564
Interfund advances payable	29,629	1,747,915	296,448	2,073,992
Due to other governments	227,928	—	—	227,928
Total Liabilities	2,173,972	2,092,002	296,448	4,562,422
Fund Balance:				
Reserved for:				
Advances to other funds	1,267,960	—	—	1,267,960
Notes receivable	112,555	298,148	—	410,703
Capital Improvements	602,167	12,948,110	—	13,550,277
Repayment of debt	—	—	2,107,079	2,107,079
Unreserved	17,682,790	3,570,178	—	21,252,968
Total Fund Balances	19,665,472	16,816,436	2,107,079	38,588,987
Total Liabilities and Fund Balances	\$ 21,839,444	\$ 18,908,438	\$ 2,403,527	\$ 43,151,409

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2005

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total Nonmajor Governmental Fund
Revenues:				
Taxes	\$ 1,618,369	\$ —	\$ 2,389,893	\$ 4,008,262
Fines, forfeitures and penalties	1,025,224	—	—	1,025,224
Use of money and property	1,941,686	282,179	953,546	3,177,411
Intergovernmental	15,481,975	—	—	15,481,975
Other revenues	247,521	36,648	1,337,891	1,622,060
Total revenues	<u>20,314,775</u>	<u>318,827</u>	<u>4,681,330</u>	<u>25,314,932</u>
Expenditures:				
General government	2,945,430	—	81,833	3,027,263
Public works	4,267,863	—	—	4,267,863
Culture and recreation	285,792	—	—	285,792
Community Development	9,668,828	1,664,780	—	11,333,608
Capital outlay	2,135,549	609,340	—	2,744,889
Debt service:				
Principal retirement	—	—	3,946,548	3,946,548
Interest and fiscal charges	—	—	1,945,938	1,945,938
Other	—	—	964,281	964,281
Total expenditures	<u>19,303,462</u>	<u>2,274,120</u>	<u>6,938,600</u>	<u>28,516,182</u>
Excess (deficiency) of revenues over expenditures	<u>1,011,313</u>	<u>(1,955,293)</u>	<u>(2,257,270)</u>	<u>(3,201,250)</u>
Other financing sources (uses):				
Proceeds of debt	—	13,130,719	—	13,130,719
Transfers in	1,415,810	1,184,850	56,907	2,657,567
Transfers out	(4,331,729)	(355,068)	(495,513)	(5,182,310)
Total other financing sources (uses)	<u>(2,915,919)</u>	<u>13,960,501</u>	<u>(438,606)</u>	<u>10,605,976</u>
Net change in fund balances	(1,904,606)	12,005,208	(2,695,876)	7,404,726
Fund balances, July 1, 2004	<u>21,570,078</u>	<u>4,811,228</u>	<u>4,802,955</u>	<u>31,184,261</u>
Fund balances, June 30, 2005	<u>\$ 19,665,472</u>	<u>\$ 16,816,436</u>	<u>\$ 2,107,079</u>	<u>\$ 38,588,987</u>

City OF Torrance



Torrance Cultural Arts Center

Non-Major Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable and nonexpendable trusts) that are restricted by law to expenditure for specified purposes.

The PARKS AND RECREATION FACILITIES FUND is used to account for the revenues and expenditures in connection with the City's park and recreation facilities tax.

The RENTAL ASSISTANCE PROGRAM FUND is used to account for the operations of the Federal rental assistance program which provides relief for lower income families.

The SEISMIC EDUCATION FUND is used to account for the training and developing of the City's staff on seismic activities.

The WORKFORCE INVESTMENT NETWORK (WIN) FUND is used to account for grant revenues, which are allocated to provide training and work experience to low income, senior citizens, dislocated workers and youth.

The STREET LIGHTING ASSESSMENT FUND is used to account for the revenues and expenditures associated with the maintenance and use of the City's street lighting system.

The DRAINAGE IMPROVEMENT FUND is used to account for the revenues and expenditures in connection with the improvement of the City's drainage system.

The PARKS AND REHABILITATION AND OPEN SPACE FUND is used to account for the resources generated by a fee imposed on new dwelling construction and certain remodeling of dwellings.

The PROPOSITION C FUND is used to improve transit service and operations, reduce traffic congestion, improve air quality, efficiently operate and improve the condition of the streets and freeways utilized by public transit and reduce foreign fuel dependence.

The VANPOOL RIDESHARE FUND is used to account for rideshare revenues from Prop C and fares, and to account for rideshare expenses.

The BICYCLE TRANSPORTATION FUND is used to account for the revenues and expenditures in connection with the City's bicycle transportation program.

The ANIMAL CONTROL FUND is used to account for animal licenses, permits and operations of the Animal Control Program.

The STATE GAS TAX STREET IMPROVEMENT FUND is used to account for the State gasoline tax revenues received from the State which are used for maintenance and improvement of the City's streets.

The AQMD FUND is used to account for City compliance with air quality management regulations.

The MEADOW PARK PARKING LOT DISTRICT FUND is used to account for the revenues and expenditures generated through the cleaning and maintenance of the Meadow Park parking lot district.

The POLICE INMATE WELFARE FUND is comprised of any money, refund, rebate or commission received from a telephone company or pay telephone provider when the money is attributable to the use of pay telephones which are primarily used by inmates while incarcerated.

The GRANTS AND DONATIONS FUND is used to account for monies received for the purpose of providing educational, cultural and recreational needs of the community.

The FEDERAL HOUSING AND COMMUNITY DEVELOPMENT FUND is used to account for the activities of the Federal Housing and Community Development Block Grant.

The ASSET FORFEITURE FUND is used to account for resources used solely for investigation, detection and prosecution of criminal activities. This includes the purchase of equipment, investigation training, and developing/acquiring personnel resources.

The GEOLOGIC HAZARD ABATEMENT DISTRICT FUND is used to account for the costs of installation and construction of improvements necessary to the prevention, mitigation, abatement, or control of a geologic hazard within the City.

The EL CAMINO TRAINING FUND is used to account for monies received from El Camino to be used for Fire Department's training purposes.

The CABLE COMM/PUBLIC ACCESS FUND is used to keep track of revenues and expenses for Cable Communications that provides audio visual services, government access television, AM radio, regulatory oversight and legislative recommendations. Public Access Fund is used to keep track of revenues and expenses for services rendered to the Cable TV Advisory Board, training the community and television productions and generation of public access channels.

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CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2005

Assets	Parks and Recreation Facilities Fund	Rental Assistance Program Fund	Seismic Education Fund	Workforce Investment Network Fund	Street Lighting Assessment Fund
Pooled cash and investments	\$ 633,663	\$ 482,556	\$ 46,313	\$ —	\$ 819,332
Accounts receivable	—	—	—	168	56,145
Accrued interest receivable	4,848	—	354	—	—
Interfund advances receivable	657,200	—	—	—	—
Due from other governments	—	—	—	243,395	—
Restricted cash and investments	—	—	—	—	—
Notes receivable	—	—	—	—	—
Total assets	<u>\$ 1,295,711</u>	<u>\$ 482,556</u>	<u>\$ 46,667</u>	<u>\$ 243,563</u>	<u>\$ 875,477</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ —	\$ 22	\$ 29,048	\$ 144,881	\$ 102,064
Accounts payable – contract retention	—	—	—	—	—
Advances payable to other funds	—	—	—	—	—
Due to other funds	—	7,000	—	98,682	—
Due to other governments	—	227,292	—	—	—
Total liabilities	<u>—</u>	<u>234,314</u>	<u>29,048</u>	<u>243,563</u>	<u>102,064</u>
Fund balances:					
Reserved:					
Advances to other funds	657,200	—	—	—	—
Notes receivable	—	—	—	—	—
Unreserved:					
Undesignated	<u>638,511</u>	<u>248,242</u>	<u>17,619</u>	<u>—</u>	<u>773,413</u>
Total fund balances (deficits)	<u>1,295,711</u>	<u>248,242</u>	<u>17,619</u>	<u>—</u>	<u>773,413</u>
Total liabilities and fund balances	<u>\$ 1,295,711</u>	<u>\$ 482,556</u>	<u>\$ 46,667</u>	<u>\$ 243,563</u>	<u>\$ 875,477</u>

Drainage Improvement Fund	Parks, Rehabilitation and Open Space Fund	Proposition C Fund	Vanpool Rideshare Fund	Bicycle Transporation Fund	Animal Control Fund
\$ 8,429	\$ 2,037,060	\$ 3,085,528	\$ 225,231	\$ 636	\$ 183,520
—	—	—	9,787	—	42,743
—	15,587	25,334	—	—	—
15,084	90,064	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
\$ 23,513	\$ 2,142,711	\$ 3,110,862	\$ 235,018	\$ 636	\$ 226,263
\$ —	\$ 18,506	\$ 87,529	\$ 2,869	\$ —	\$ 37,103
—	—	35,163	—	—	—
29,629	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	636	—
29,629	18,506	122,692	2,869	636	37,103
15,084	90,064	—	—	—	—
—	—	—	—	—	—
(21,200)	2,034,141	2,988,170	232,149	—	189,160
(6,116)	2,124,205	2,988,170	232,149	—	189,160
\$ 23,513	\$ 2,142,711	\$ 3,110,862	\$ 235,018	\$ 636	\$ 226,263

(continued)

CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005

Assets	State Gas Tax Street Improvement Fund	Air Quality Management District Fund	Meadowpark Parking Lot District Fund	Police Inmate Welfare Fund	Grants and Donations Fund
Pooled cash and investments	\$ 5,116,441	\$ 89,272	\$ 24,075	\$ 64,708	\$ 1,249,014
Accounts receivable	229,767	—	—	—	—
Accrued interest receivable	39,152	—	—	495	154
Interfund advances receivable	505,612	—	—	—	—
Due from other governments	—	48,561	—	—	108,299
Restricted cash and investments	—	—	—	—	—
Notes receivable	—	—	—	—	—
Total assets	\$ 5,890,972	\$ 137,833	\$ 24,075	\$ 65,203	\$ 1,357,467
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 33,139	\$ 38	\$ —	\$ —	\$ 128,299
Accounts payable – contract retention	12,954	—	—	—	100,603
Advances payable to other funds	—	—	—	—	—
Due to other funds	—	—	7,158	—	897,234
Due to other governments	—	—	—	—	—
Total liabilities	46,093	38	7,158	—	1,126,136
Fund balances:					
Reserved:					
Advances to other funds	505,612	—	—	—	—
Notes receivable	—	—	—	—	—
Unreserved:					
Undesignated	5,339,267	137,795	16,917	65,203	231,331
Total fund balances (deficits)	5,844,879	137,795	16,917	65,203	231,331
Total liabilities and fund balances	\$ 5,890,972	\$ 137,833	\$ 24,075	\$ 65,203	\$ 1,357,467

Federal Housing and Community Development Fund	Asset Forfeiture Fund	Geologic Hazard Abatement Fund	El Camino Training Fund	Cable/Comm Public Access Fund	Total Nonmajor Special Revenue Fund
\$ 441,434	\$ 2,548,560	\$ 14,317	\$ 314,264	\$ 1,324,796	\$ 18,709,149
—	3,882	—	—	308,805	651,297
—	—	—	—	10,137	96,061
—	—	—	—	—	1,267,960
—	—	—	—	—	400,255
2,167	600,000	—	—	—	602,167
112,555	—	—	—	—	112,555
<u>\$ 556,156</u>	<u>\$ 3,152,442</u>	<u>\$ 14,317</u>	<u>\$ 314,264</u>	<u>\$ 1,643,738</u>	<u>\$ 21,839,444</u>
\$ —	\$ 32,742	\$ —	\$ —	\$ 141,381	\$ 757,621
—	—	—	—	—	148,720
—	—	—	—	—	29,629
—	—	—	—	—	1,010,074
—	—	—	—	—	227,928
<u>—</u>	<u>32,742</u>	<u>—</u>	<u>—</u>	<u>141,381</u>	<u>2,173,972</u>
—	—	—	—	—	1,267,960
112,555	—	—	—	—	112,555
<u>443,601</u>	<u>3,119,700</u>	<u>14,317</u>	<u>314,264</u>	<u>1,502,357</u>	<u>18,284,957</u>
<u>556,156</u>	<u>3,119,700</u>	<u>14,317</u>	<u>314,264</u>	<u>1,502,357</u>	<u>19,665,472</u>
<u>\$ 556,156</u>	<u>\$ 3,152,442</u>	<u>\$ 14,317</u>	<u>\$ 314,264</u>	<u>\$ 1,643,738</u>	<u>\$ 21,839,444</u>

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (Deficits)
Nonmajor Special Revenue Funds
Year ended June 30, 2005

	Parks and Recreation Facilities Fund	Rental Assistance Program Fund	Seismic Education Fund	Workforce Investment Network Fund	Street Lighting Assessment Fund
Revenues:					
Taxes	\$ 226,600	\$ —	\$ —	\$ —	\$ 1,152,528
Fines, forfeitures and penalties	—	—	—	—	—
Use of money and property	16,026	10,751	1,225	—	—
Intergovernmental	—	5,176,469	—	4,145,504	—
Other	—	—	1,065	—	—
Total revenues	<u>242,626</u>	<u>5,187,220</u>	<u>2,290</u>	<u>4,145,504</u>	<u>1,152,528</u>
Expenditures:					
Current:					
General government	—	—	—	—	—
Public works	—	—	—	—	2,108,177
Culture and recreation	—	—	—	—	—
Community Development	—	5,298,676	—	4,140,465	—
Capital outlay	—	—	—	5,039	—
Total expenditures	<u>—</u>	<u>5,298,676</u>	<u>—</u>	<u>4,145,504</u>	<u>2,108,177</u>
Excess (deficiency) of revenues over expenditures	242,626	(111,456)	2,290	—	(955,649)
Other financing sources (uses):					
Transfers in	—	—	—	—	1,022,612
Transfers out	<u>—</u>	<u>(6,400)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balance	242,626	(117,856)	2,290	—	66,963
Fund balances (deficits), July 1, 2004	<u>1,053,085</u>	<u>366,098</u>	<u>15,329</u>	<u>—</u>	<u>706,450</u>
Fund balances (deficits), June 30, 2005	<u>\$ 1,295,711</u>	<u>\$ 248,242</u>	<u>\$ 17,619</u>	<u>\$ —</u>	<u>\$ 773,413</u>

Drainage Improvement Fund	Parks, Rehabilitation and Open Space Fund	Proposition C Fund	Vanpool Rideshare Fund	Bicycle Transporation Fund	Animal Control Fund
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 239,241
—	607,708	—	—	—	—
—	58,451	84,308	—	—	—
—	—	1,745,811	—	96,468	—
5,687	—	—	37,321	—	376
<u>5,687</u>	<u>666,159</u>	<u>1,830,119</u>	<u>37,321</u>	<u>96,468</u>	<u>239,617</u>
—	—	1,041,186	146,515	96,468	186,937
996	—	—	—	—	—
—	285,792	—	—	—	—
—	—	—	—	—	—
—	68,697	25,107	—	—	—
<u>996</u>	<u>354,489</u>	<u>1,066,293</u>	<u>146,515</u>	<u>96,468</u>	<u>186,937</u>
4,691	311,670	763,826	(109,194)	—	52,680
—	—	—	341,343	—	2,524
<u>—</u>	<u>—</u>	<u>(1,427,868)</u>	<u>—</u>	<u>—</u>	<u>—</u>
4,691	311,670	(664,042)	232,149	—	55,204
(10,807)	1,812,535	3,652,212	—	—	133,956
<u>\$ (6,116)</u>	<u>\$ 2,124,205</u>	<u>\$ 2,988,170</u>	<u>\$ 232,149</u>	<u>\$ —</u>	<u>\$ 189,160</u>

(continued)

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (Deficits)
Nonmajor Special Revenue Funds
Year ended June 30, 2005

	State Gas Tax Street Improvement Fund	Air Quality Management District Fund	Meadowpark Parking Lot District Fund	Police Inmate Welfare Fund	Grants and Donations Fund
Revenues:					
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —
Fines, forfeitures and penalties	—	—	—	—	—
Use of money and property	150,920	3,124	—	1,804	7,663
Intergovernmental	2,904,461	177,811	—	—	1,235,451
Other	—	—	24,109	13,806	86,372
Total revenues	<u>3,055,381</u>	<u>180,935</u>	<u>24,109</u>	<u>15,610</u>	<u>1,329,486</u>
Expenditures:					
Current:					
General government	—	—	11,008	2,054	—
Public works	—	—	—	—	2,158,690
Culture and recreation	—	—	—	—	—
Community Development	—	229,687	—	—	—
Capital outlay	1,802,434	—	—	—	116,089
Total expenditures	<u>1,802,434</u>	<u>229,687</u>	<u>11,008</u>	<u>2,054</u>	<u>2,274,779</u>
Excess (deficiency) of revenues over expenditures	1,252,947	(48,752)	13,101	13,556	(945,293)
Other financing sources (uses):					
Transfers in	—	—	—	—	3,431
Transfers out	(2,540,000)	—	—	—	(64,967)
Net change in fund balance	(1,287,053)	(48,752)	13,101	13,556	(1,006,829)
Fund balances (deficits), July 1, 2004	<u>7,131,932</u>	<u>186,547</u>	<u>3,816</u>	<u>51,647</u>	<u>1,238,160</u>
Fund balances (deficits), June 30, 2005	<u>\$ 5,844,879</u>	<u>\$ 137,795</u>	<u>\$ 16,917</u>	<u>\$ 65,203</u>	<u>\$ 231,331</u>

Federal Housing and Community Development Fund	Asset Forfeiture Fund	Geologic Hazard Abatement Fund	El Camino Training Fund	Cable/Comm Public Access Fund	Total Nonmajor Special Revenue Fund
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,618,369
—	417,516	—	—	—	1,025,224
—	83,514	—	—	1,523,900	1,941,686
—	—	—	—	—	15,481,975
—	—	—	51,108	27,677	247,521
—	501,030	—	51,108	1,551,577	20,314,775
—	380,000	—	6,500	1,074,762	2,945,430
—	—	—	—	—	4,267,863
—	—	—	—	—	285,792
—	—	—	—	—	9,668,828
—	—	—	5,143	113,040	2,135,549
—	380,000	—	11,643	1,187,802	19,303,462
—	121,030	—	39,465	363,775	1,011,313
36,900	—	—	—	9,000	1,415,810
—	(3,431)	—	—	(289,063)	(4,331,729)
36,900	117,599	—	39,465	83,712	(1,904,606)
519,256	3,002,101	14,317	274,799	1,418,645	21,570,078
\$ 556,156	\$ 3,119,700	\$ 14,317	\$ 314,264	\$ 1,502,357	\$ 19,665,472

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City OF Torrance



Torrance Beach

Non-Major Capital Project Funds

The Capital Project funds are used to account for resources used for the acquisition or construction of major capital facilities, except for those financed by certain Special Revenue and Proprietary Funds.

The TORRANCE PUBLIC FINANCING AUTHORITY is used to account for construction of certain fire and police protection facilities and finance the construction of street improvements, storm drain and building improvements and other capital projects within the City.

The TORRANCE IMPROVEMENTS FUND is used to account for infrastructure projects performed on major arterial and residential street, sidewalk, curb, gutter and drainage improvements within the City.

The REDEVELOPMENT AGENCY FUNDS are used to account for the acquisition, relocation, demolition and sale of land for those portions of the City of Torrance which have been earmarked for Redevelopment.

The projects are financed primarily with property tax increment revenues. Each project is accounted for in a separate fund as follows:

Meadow Park Project Fund—this fund is used to account for activities related to redevelopment of approximately 56 acres of land designated for light industrial and commercial use.

Skypark Project Fund—this fund is used to account for activities related to redevelopment of approximately 30 acres designated for various business, industry, restaurants and offices.

Downtown Torrance Redevelopment Project Fund—this fund is used to account for activities related to redevelopment in the downtown area.

Industrial Redevelopment Project Fund—this fund is used to account for activities related to redevelopment of approximately 300 acres on the eastern boundary of the City.

Low/Moderate Income Housing Fund—this fund is used to account for the 20% of tax increments and proceeds of tax allocation bonds set aside for use in low/moderate income housing programs.

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CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet

Nonmajor Capital Project Funds

June 30, 2005

Assets	Torrance Public Financing Fund	Torrance Improvements Fund
Pooled cash and investments	\$ —	\$ —
Cash and cash equivalents with fiscal agents	12,948,110	—
Accrued interest receivable	—	—
Notes receivable	—	—
Others	—	—
Total assets	\$ 12,948,110	\$ —
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 173,680	\$ —
Due to other funds	134,490	—
Interfund advances payable	—	—
Total liabilities	308,170	—
Fund balances:		
Reserved:		
Notes receivable	—	—
Unreserved:		
Designated:		
Infrastructure	—	—
Undesignated fund balance	12,639,940	—
Total fund balances (deficit)	12,639,940	—
Total liabilities and fund balances	\$ 12,948,110	\$ —

Redevelopment Agency of the City of Torrance

Meadow Park Project Fund	Skypark Project Fund	Downtown Torrance Redevelopment Project Fund	Industrial Redevelopment Project Fund	Low/Moderate Income Housing Fund	Total Nonmajor Capital Project Funds
\$ 1,668	\$ 6,058	\$ 145,810	\$ 538,146	\$ 4,919,655	\$ 5,611,337
—	—	—	—	—	12,948,110
13	46	1,116	4,117	37,646	42,938
—	—	298,148	—	—	298,148
—	—	2,868	1,911	3,126	7,905
<u>\$ 1,681</u>	<u>\$ 6,104</u>	<u>\$ 447,942</u>	<u>\$ 544,174</u>	<u>\$ 4,960,427</u>	<u>\$ 18,908,438</u>
\$ 346	\$ —	\$ 19,585	\$ 1,415	\$ 14,571	\$ 209,597
—	—	—	—	—	134,490
—	—	1,747,915	—	—	1,747,915
<u>346</u>	<u>—</u>	<u>1,767,500</u>	<u>1,415</u>	<u>14,571</u>	<u>2,092,002</u>
—	—	298,148	—	—	298,148
—	—	—	—	4,945,856	4,945,856
1,335	6,104	(1,617,706)	542,759	—	11,572,432
<u>1,335</u>	<u>6,104</u>	<u>(1,319,558)</u>	<u>542,759</u>	<u>4,945,856</u>	<u>16,816,436</u>
<u>\$ 1,681</u>	<u>\$ 6,104</u>	<u>\$ 447,942</u>	<u>\$ 544,174</u>	<u>\$ 4,960,427</u>	<u>\$ 18,908,438</u>

CITY OF TORRANCE, CALIFORNIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Capital Project Funds

Year ended June 30, 2005

	Torrance Public Financing Fund	Torrance Improvements Fund
Revenues:		
Use of money and property	\$ 118,447	\$ —
Other	—	—
Total revenues	<u>118,447</u>	<u>—</u>
Expenditures		
Capital outlay	609,340	—
Community development	—	—
Total expenditures	<u>609,340</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	(490,893)	—
Other financing sources (uses):		
Transfers in	—	—
Transfers out	—	(259,161)
Proceeds from Refunding Bond	13,130,719	—
Total other financing sources (uses), net	<u>13,130,719</u>	<u>(259,161)</u>
Net change in fund balance	12,639,826	(259,161)
Fund balances, July 1, 2004	<u>114</u>	<u>259,161</u>
Fund balances (deficit), June 30, 2005	\$ <u><u>12,639,940</u></u>	\$ <u><u>—</u></u>

Redevelopment Agency of the City of Torrance					
Meadow Park Project Fund	Skypark Project Fund	Downtown Torrance Redevelopment Project Fund	Industrial Redevelopment Project Fund	Low/Moderate Income Housing Fund	Total Nonmajor Capital Project Funds
\$ 32	\$ 1,401	\$ 17,363	\$ 19,147	\$ 125,789	\$ 282,179
13,163	—	23,485	—	—	36,648
13,195	1,401	40,848	19,147	125,789	318,827
—	—	—	—	—	609,340
11,100	—	749,990	358,040	545,650	1,664,780
11,100	—	749,990	358,040	545,650	2,274,120
2,095	1,401	(709,142)	(338,893)	(419,861)	(1,955,293)
—	—	—	—	1,184,850	1,184,850
—	(56,907)	(1,600)	(18,600)	(18,800)	(355,068)
—	—	—	—	—	13,130,719
—	(56,907)	(1,600)	(18,600)	1,166,050	13,960,501
2,095	(55,506)	(710,742)	(357,493)	746,189	12,005,208
(760)	61,610	(608,816)	900,252	4,199,667	4,811,228
\$ 1,335	\$ 6,104	\$ (1,319,558)	\$ 542,759	\$ 4,945,856	\$ 16,816,436

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City OF Torrance



Wilson Park

Non-Major Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, principal and interest on specific long-term obligations of the City.

The TORRANCE IMPROVEMENTS FUND is used to account for debt service related to certificates of participation issued to provide capital for the construction of certain, infrastructure projects on major arterial and residential streets, sidewalk, curb, gutter and drainage improvements, fire protection, maintenance, recreation, aviation and entertainment facilities within the City.

The REDEVELOPMENT AGENCY of the City of Torrance has projects which require debt service funds as follows:

Skypark Fund — to account for the debt service related to a tax allocation bond issue.

The Downtown Torrance Redevelopment Fund — to account for the debt service related to a tax allocation bond issue.

Non-Major
Debt Service Funds

CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2005

	Redevelopment Agency of the City of Torrance			Total Nonmajor Debt Service Funds
	Torrance Improvements Fund	Skypark Redevelopment Fund	Downtown Torrance Redevelopment Fund	
Assets				
Pooled cash and investments	\$ —	\$ 190,514	\$ 643,270	\$ 833,784
Cash and cash equivalents				
with fiscal agents	—	—	597,489	597,489
Accrued interest receivable	—	1,459	4,974	6,433
Due from other governments	—	119,851	845,970	965,821
Total assets	\$ —	\$ 311,824	\$ 2,091,703	\$ 2,403,527
Liabilities and Fund Balances				
Liabilities:				
Interfund advances payable	—	—	296,448	296,448
Total liabilities	\$ —	\$ —	\$ 296,448	\$ 296,448
Fund balances:				
Reserved – debt service	—	311,824	1,795,255	2,107,079
Total fund balances	—	311,824	1,795,255	2,107,079
Total liabilities and fund balances	\$ —	\$ 311,824	\$ 2,091,703	\$ 2,403,527

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Debt Service Funds
Year ended June 30, 2005

		Redevelopment Agency of the City of Torrance		
	Torrance Improvements Fund	Skypark Redevelopment Fund	Downtown Torrance Redevelopment Fund	Total Nonmajor Debt Service Funds
Revenues:				
Property taxes	\$ —	\$ 696,034	\$ 1,693,859	\$ 2,389,893
Use of money and property	875,262	6,684	71,600	953,546
Other revenues	—	—	1,337,891	1,337,891
Total revenues	875,262	702,718	3,103,350	4,681,330
Expenditures:				
Administration	45,952	7,999	27,882	81,833
Bond and other loan principal	3,573,906	212,642	160,000	3,946,548
Bond and other loan interest	811,989	193,442	940,507	1,945,938
Other	—	—	964,281	964,281
Total expenditures	4,431,847	414,083	2,092,670	6,938,600
Excess (deficiency) of revenues over expenditures	(3,556,585)	288,635	1,010,680	(2,257,270)
Other financing sources (uses):				
Transfers in	—	56,907	—	56,907
Transfers out/transfers to City	(17,534)	(139,207)	(338,772)	(495,513)
Total other financing sources (uses)	(17,534)	(82,300)	(338,772)	(438,606)
Net change in fund balance	(3,574,119)	206,335	671,908	(2,695,876)
Fund balances, July 1, 2004	3,574,119	105,489	1,123,347	4,802,955
Fund balances, June 30, 2005	\$ —	\$ 311,824	\$ 1,795,255	\$ 2,107,079

City OF *Torrance*



James Armstrong Theater

Non-Major Proprietary Funds

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CITY OF TORRANCE, CALIFORNIA
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2005

Assets	Emergency Medical Services Fund	Municipal Airport Fund	Parks and Recreation Fund	Cultural Arts Center Fund	Total Nonmajor Proprietary Fund
Current assets:					
Pooled cash and investments	\$ —	\$ 3,862,174	\$ 405,800	\$ 667,088	\$ 4,935,062
Accounts receivable	61,647	249,804	1,219	24,375	337,045
Accrued interest receivable	—	29,553	—	—	29,553
Due from other governments	—	—	98,436	—	98,436
Prepays	—	1,151	23,520	—	24,671
Total current assets	<u>61,647</u>	<u>4,142,682</u>	<u>528,975</u>	<u>691,463</u>	<u>5,424,767</u>
Noncurrent assets:					
Capital assets, net	<u>54,553</u>	<u>5,799,656</u>	<u>24,889</u>	<u>475,271</u>	<u>6,354,369</u>
Total noncurrent assets	<u>54,553</u>	<u>5,799,656</u>	<u>24,889</u>	<u>475,271</u>	<u>6,354,369</u>
Total Assets	<u>116,200</u>	<u>9,942,338</u>	<u>553,864</u>	<u>1,166,734</u>	<u>11,779,136</u>
Liabilities					
Current liabilities (payable from current assets):					
Accounts payable	12,073	90,123	103,774	325,344	531,314
Due to other funds	176,651	—	—	—	176,651
Accrued liabilities	—	66,242	—	41,841	108,083
Unearned revenues	—	169,557	543,742	—	713,299
Total current liabilities	<u>188,724</u>	<u>325,922</u>	<u>647,516</u>	<u>367,185</u>	<u>1,529,347</u>
Noncurrent liabilities:					
Deposits and guarantees	<u>—</u>	<u>28,164</u>	<u>—</u>	<u>—</u>	<u>28,164</u>
Total Liabilities	<u>\$ 188,724</u>	<u>\$ 354,086</u>	<u>\$ 647,516</u>	<u>\$ 367,185</u>	<u>\$ 1,557,511</u>
Net Assets:					
Invested in capital assets, net of related debt	54,553	5,799,656	24,889	475,271	6,354,369
Unrestricted	<u>(127,077)</u>	<u>3,788,596</u>	<u>(118,541)</u>	<u>324,278</u>	<u>3,867,256</u>
Total Net Assets	<u>\$ (72,524)</u>	<u>\$ 9,588,252</u>	<u>\$ (93,652)</u>	<u>\$ 799,549</u>	<u>\$ 10,221,625</u>

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Proprietary Funds
Year ended June 30, 2005

	Emergency Medical Services Fund	Municipal Airport Fund	Parks and Recreation Fund	Cultural Arts Center Fund	Total Nonmajor Proprietary Total
Operating revenues:					
Charges for services	\$ 1,051,498	\$ 7,672,082	\$ 4,116,070	\$ 806,846	\$ 13,646,496
Other	—	—	9,505	—	9,505
Total operating revenues	<u>1,051,498</u>	<u>7,672,082</u>	<u>4,125,575</u>	<u>806,846</u>	<u>13,656,001</u>
Operating expenses:					
Salaries and employee benefits	6,885,413	1,324,014	4,357,894	1,133,770	13,701,091
Services and supplies	234,248	295,358	940,426	97,747	1,567,779
Other professional services	23,677	277,999	1,107,626	254,514	1,663,816
Depreciation and amortization	1,432	265,256	1,610	4,113	272,411
Insurance and claims	—	23,691	10,020	—	33,711
City charges	—	2,441,548	543,555	99,546	3,084,649
Other	29,169	1,149,733	14,782	73,178	1,266,862
Total operating expenses	<u>7,173,939</u>	<u>5,777,599</u>	<u>6,975,913</u>	<u>1,662,868</u>	<u>21,590,319</u>
Operating income (loss)	<u>(6,122,441)</u>	<u>1,894,483</u>	<u>(2,850,338)</u>	<u>(856,022)</u>	<u>(7,934,318)</u>
Nonoperating revenues (expenses):					
Investment earnings	—	150,028	—	—	150,028
Grants	—	—	—	106,799	106,799
Interest expense	—	(240,793)	—	—	(240,793)
Other, net	—	—	54,190	—	54,190
Total nonoperating revenues, net	<u>—</u>	<u>(90,765)</u>	<u>54,190</u>	<u>106,799</u>	<u>70,224</u>
Income (loss) before transfers	<u>(6,122,441)</u>	<u>1,803,718</u>	<u>(2,796,148)</u>	<u>(749,223)</u>	<u>(7,864,094)</u>
Transfers in	6,562,574	—	2,925,200	780,075	10,267,849
Transfers out	—	(2,426,989)	(79,879)	(47,375)	(2,554,243)
Change in net assets	<u>440,133</u>	<u>(623,271)</u>	<u>49,173</u>	<u>(16,523)</u>	<u>(150,488)</u>
Total net assets - July 1, 2004	<u>(512,657)</u>	<u>10,211,523</u>	<u>(142,825)</u>	<u>816,072</u>	<u>10,372,113</u>
Total net assets - June 30, 2005	<u>\$ (72,524)</u>	<u>\$ 9,588,252</u>	<u>\$ (93,652)</u>	<u>\$ 799,549</u>	<u>\$ 10,221,625</u>

CITY OF TORRANCE, CALIFORNIA

Combining Statement of Cash Flows

Nonmajor Proprietary Funds

Year ended June 30, 2005

	Emergency Medical Services Fund	Municipal Airport Fund	Parks and Recreation Fund	Cultural Arts Center Fund	Total Nonmajor Proprietary Total
Cash flows from operating activities:					
Receipts from customers	\$ 1,035,296	\$ 7,738,592	\$ 4,187,490	\$ 791,594	\$ 13,752,972
Cash payments to suppliers for goods and services	(291,744)	(4,188,042)	(2,599,168)	(493,862)	(7,572,816)
Cash payments to employees for services	(6,884,938)	(1,312,078)	(4,357,894)	(1,120,560)	(13,675,470)
Internal activity-payments from (to) other funds	(365,203)	—	—	—	(365,203)
Donations	—	—	54,190	—	54,190
Other receipts	—	—	9,505	—	9,505
Net cash provided by (used in) operating activities	<u>(6,506,589)</u>	<u>2,238,472</u>	<u>(2,705,877)</u>	<u>(822,828)</u>	<u>(7,796,822)</u>
Cash flows from noncapital financing activities:					
Grants and subsidies	—	—	—	106,799	106,799
Advances to other funds	—	539,705	—	—	539,705
Transfers received	6,562,574	—	2,925,200	780,075	10,267,849
Transfers paid	—	(2,426,989)	(79,879)	(47,375)	(2,554,243)
Net cash provided by (used in) noncapital financing activities	<u>6,562,574</u>	<u>(1,887,284)</u>	<u>2,845,321</u>	<u>839,499</u>	<u>8,360,110</u>
Cash flows from capital financing activities:					
Long-term obligations - principal & interest	—	(240,793)	—	—	(240,793)
Capital expenditures	(55,985)	(62,336)	(6,665)	(361,663)	(486,649)
Net cash provided by (used in) capital financing activities	<u>(55,985)</u>	<u>(303,129)</u>	<u>(6,665)</u>	<u>(361,663)</u>	<u>(727,442)</u>
Cash flows from investing activities:					
Interest on investments	—	66,120	—	—	66,120
Net increase (decrease) in cash, restricted cash and cash equivalents	—	114,179	132,779	(344,992)	(98,034)
Cash, restricted cash and cash equivalents, July 1, 2004	—	3,747,995	273,021	1,012,080	5,033,096
Cash, restricted cash and cash equivalents, June 30, 2005	<u>\$ —</u>	<u>\$ 3,862,174</u>	<u>\$ 405,800</u>	<u>\$ 667,088</u>	<u>\$ 4,935,062</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (6,122,441)	1,894,483	\$ (2,850,338)	\$ (856,022)	\$ (7,934,318)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	1,432	265,256	1,610	4,113	272,411
Change in assets and liabilities:					
Accounts receivable	(15,727)	(42,677)	(701)	(12,136)	(71,241)
Due from other government	—	—	46,087	—	46,087
Donations	—	—	54,190	—	54,190
Prepays and other assets	—	(411)	(423)	—	(834)
Accounts payable	(4,650)	698	17,664	31,123	44,835
Due to other funds	(365,203)	—	—	—	(365,203)
Accrued salaries and benefits	—	11,936	—	13,210	25,146
Deposits and guarantees	—	—	—	(3,116)	(3,116)
Unearned revenues	—	109,187	26,034	—	135,221
Net cash provided by (used in) operating activities	<u>\$ (6,506,589)</u>	<u>2,238,472</u>	<u>\$ (2,705,877)</u>	<u>\$ (822,828)</u>	<u>\$ (7,796,822)</u>

City OF Torrance



Fleet

Internal Service Funds

The Internal Service funds are used to account for financing of goods or services provided by one City department to other departments of the City and to other governmental units on a cost-reimbursement basis.

The SELF-INSURANCE FUND is used to finance and account for the City's risk management and self-insurance programs.

The FLEET SERVICES FUND is used to finance and account for the City's vehicular equipment.

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CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet

Internal Service Funds

June 30, 2005

Assets	Self-Insurance Fund	Fleet Services Fund	Total
Current assets:			
Pooled cash and investments	\$ 7,840,901	\$ 7,318,948	\$ 15,159,849
Accounts receivable	—	132	132
Accrued interest receivable	—	55,158	55,158
Other prepayments	117,215	1,302	118,517
Inventories	—	800,384	800,384
Total current assets	7,958,116	8,175,924	16,134,040
Advances to other funds	4,000,000	—	4,000,000
Capital assets, net	—	6,615,004	6,615,004
Total assets	<u>\$ 11,958,116</u>	<u>\$ 14,790,928</u>	<u>\$ 26,749,044</u>
Liabilities and Net Assets (Deficit)			
Current liabilities:			
Accounts payable	\$ 45,365	\$ 104,135	\$ 149,500
Accrued salaries and benefits	—	338,105	338,105
Accrued liability for self-insurance claims – current	6,780,331	—	6,780,331
Total current liabilities	6,825,696	442,240	7,267,936
Accrued liability for self-insurance claims – long-term	16,097,014	—	16,097,014
Total liabilities	22,922,710	442,240	23,364,950
Net assets (deficit):			
Invested in capital assets, net of related debt	—	6,615,004	6,615,004
Unrestricted	(10,964,594)	7,733,684	(3,230,910)
Total net assets (deficit)	(10,964,594)	14,348,688	3,384,094
Total liabilities and net assets (deficit)	<u>\$ 11,958,116</u>	<u>\$ 14,790,928</u>	<u>\$ 26,749,044</u>

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets (Deficit)
Internal Service Funds
Year ended June 30, 2005

	Self-Insurance Fund	Fleet Services Fund	Total
Operating revenues – charges for services	\$ 2,327,529	\$ 2,330,798	\$ 4,658,327
Operating expenses:			
Salaries and benefits	801,650	403,457	1,205,107
Materials and services	147,755	299,442	447,197
Insurance and claims	3,735,010	7,555	3,742,565
Depreciation	—	1,716,954	1,716,954
Other	6,796	8,600	15,396
Total operating expenses	4,691,211	2,436,008	7,127,219
Operating income (loss)	(2,363,682)	(105,210)	(2,468,892)
Nonoperating revenues (expenses):			
Investment earnings	—	189,674	189,674
Gain on sale of capital assets	—	91,899	91,899
Loss on disposal of capital assets	—	(8,908)	(8,908)
Total nonoperating revenues	—	272,665	272,665
Net income (loss) before transfers	(2,363,682)	167,455	(2,196,227)
Transfers in	2,759,862	306,127	3,065,989
Transfers out	(3,406)	(123,937)	(127,343)
Increase in net assets	392,774	349,645	742,419
Net assets (deficit), July 1, 2004	(11,357,368)	13,999,043	2,641,675
Net assets (deficit), June 30, 2005	\$ (10,964,594)	\$ 14,348,688	\$ 3,384,094

CITY OF TORRANCE, CALIFORNIA

Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2005

	<u>Self-Insurance Fund</u>	<u>Fleet Services Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from Customers	\$ 2,327,529	\$ 2,336,086	\$ 4,663,615
Cash payments to suppliers for goods and services	(3,960,518)	(436,756)	(4,397,274)
Cash payments to employees for services	(800,700)	(393,746)	(1,194,446)
Net Cash provided by (used in) operating activities	<u>(2,433,689)</u>	<u>1,505,584</u>	<u>(928,105)</u>
Cash flows from noncapital financing activities			
Transfers received	2,759,862	306,127	3,065,989
Transfers paid	(3,406)	(123,937)	(127,343)
Net Cash provided by (used in) noncapital financing	<u>2,756,456</u>	<u>182,190</u>	<u>2,938,646</u>
Cash flows from capital financing activities			
Capital expenditures	—	(715,909)	(715,909)
Proceeds from sale of capital assets	—	96,736	96,736
Net cash provided by (used in) capital financing activities	<u>—</u>	<u>(619,173)</u>	<u>(619,173)</u>
Cash flows from investing activities:			
Interest on Investments	—	170,324	170,324
Net increase (decrease) in cash, restricted cash and cash equivalents	322,767	1,238,925	1,561,692
Cash and cash equivalents, July 1, 2004	<u>7,518,134</u>	<u>6,080,023</u>	<u>13,598,157</u>
Cash and cash equivalents, June 30, 2005	<u>\$ 7,840,901</u>	<u>\$ 7,318,948</u>	<u>\$ 15,159,849</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (2,363,682)	\$ (105,210)	\$ (2,468,892)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	—	1,716,954	1,716,954
Change in assets and liabilities:			
Accounts receivable	950	5,420	6,370
Prepays and other assets	(82,721)	(1,302)	(84,023)
Inventories	—	(11,291)	(11,291)
Accounts payable	11,764	(108,698)	(96,934)
Accrued salaries and benefits	—	9,711	9,711
Net cash provided by (used in) operating activities	<u>\$ (2,433,689)</u>	<u>\$ 1,505,584</u>	<u>\$ (928,105)</u>

City OF Torrance



City's Sports Complex

Agency Funds

The Agency funds are used to account for assets held by the City in a fiduciary capacity for individuals, governmental entities and others.

The MUNICIPAL AREA EXPRESS (MAX) FUND is used to account for Federal, County and local revenues to finance a special commuter bus service in the South Bay area of Los Angeles County.

The SPECIAL DEPOSITS FUND is used to account for private donations, deposits and other funds disbursements on projects of the general government.

The FLEXIBLE BENEFITS FUND is used to account for unspent per-tax benefits funds collected from the participating employees of the City.

The ENVIRONMENTAL TRUST FUND is used to account for the cost of analysis and evaluation of air pollutants potentially derived from refineries.

The PROPERTY ROOM EVIDENCE FUND is used to account for the safekeeping and disbursement of evidence held in the Police property room.

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Fiduciary Fund Assets and Liabilities - Agency Funds
June 30, 2005

	Municipal Area Express Fund	Special Deposits Fund	Flexible Benefits Fund	Environmental Trust Fund	Property Room Evidence Fund	Total Agency Funds
Assets						
Pooled cash and investments	\$ 722,094	\$ 1,356,285	\$ —	\$ 105,031	\$ 694,238	\$ 2,877,648
Restricted cash	—	—	198,224	—	—	198,224
Accrued interest receivable	5,526	241	—	803	—	6,570
Due from other governments	40,318	—	—	—	—	40,318
Total assets	<u>\$ 767,938</u>	<u>\$ 1,356,526</u>	<u>\$ 198,224</u>	<u>\$ 105,834</u>	<u>\$ 694,238</u>	<u>\$ 3,122,760</u>
Liabilities						
Deposits payable	\$ 144,435	\$ 1,349,869	\$ —	\$ —	\$ 694,238	\$ 2,188,542
Collections held in trust	623,503	6,657	198,224	105,834	—	934,218
Total liabilities	<u>\$ 767,938</u>	<u>\$ 1,356,526</u>	<u>\$ 198,224</u>	<u>\$ 105,834</u>	<u>\$ 694,238</u>	<u>\$ 3,122,760</u>

CITY OF TORRANCE, CALIFORNIA

Statement of Changes in Fiduciary Fund Assets and Liabilities - All Agency Funds

Year ended June 30, 2005

	Balance for fiscal year ended June 30, 2004	Additions	Deductions	Balance for fiscal year ended June 30, 2005
Assets				
Pooled cash and investments	\$ 2,866,396	\$ 131,871	\$ (120,619)	\$ 2,877,648
Restricted cash	202,010		(3,786)	198,224
Accrued interest receivable	5,237	1,333	—	6,570
Due from other governments	11,645	28,673	—	40,318
Total assets	<u>\$ 3,085,288</u>	<u>\$ 161,877</u>	<u>\$ (124,405)</u>	<u>\$ 3,122,760</u>
Liabilities				
Deposits payable	\$ 2,130,920	\$ 201,732	\$ (144,110)	\$ 2,188,542
Collections held in trust	954,368	3,983	(24,133)	934,218
Total liabilities	<u>\$ 3,085,288</u>	<u>\$ 205,715</u>	<u>\$ (168,243)</u>	<u>\$ 3,122,760</u>

CITY OF TORRANCE, CALIFORNIA

Statement of Changes in Fiduciary Fund Assets and Liabilities - Agency Funds
Year ended June 30, 2005

	<u>Balance for fiscal year ended June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance for fiscal year ended June 30, 2005</u>
Municipal Area Express Fund				
ASSETS				
Pooled cash and investments	\$ 743,998	\$ —	\$ (21,904)	\$ 722,094
Accrued interest receivable	4,444	1,082	—	5,526
Due from other governments	11,645	28,673	—	40,318
Total assets	\$ <u>760,087</u>	\$ <u>29,755</u>	\$ <u>(21,904)</u>	\$ <u>767,938</u>
LIABILITIES				
Accounts payable	\$ 131,717	\$ 12,718	\$ —	\$ 144,435
Collections held in trust	628,370	—	(4,867)	623,503
Total liabilities	\$ <u>760,087</u>	\$ <u>12,718</u>	\$ <u>(4,867)</u>	\$ <u>767,938</u>
Special Deposits Fund				
ASSETS				
Pooled cash and investments	\$ 1,351,802	\$ 4,483	\$ —	\$ 1,356,285
Accrued interest receivable	183	58	—	241
Total assets	\$ <u>1,351,985</u>	\$ <u>4,541</u>	\$ <u>—</u>	\$ <u>1,356,526</u>
LIABILITIES				
Deposits payable	\$ 1,330,767	\$ 19,102	\$ —	\$ 1,349,869
Collections held in trust	21,218	—	(14,561)	6,657
Total liabilities	\$ <u>1,351,985</u>	\$ <u>19,102</u>	\$ <u>(14,561)</u>	\$ <u>1,356,526</u>

CITY OF TORRANCE, CALIFORNIA
Statement of Changes in Fiduciary Fund Assets and Liabilities - Agency Funds
Year ended June 30, 2005

	<u>Balance for fiscal year ended June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance for fiscal year ended June 30, 2005</u>
Flexible Benefits Fund				
ASSETS				
Restricted cash	\$ 202,010	\$ —	\$ (3,786)	\$ 198,224
Total assets	<u>\$ 202,010</u>	<u>\$ —</u>	<u>\$ (3,786)</u>	<u>\$ 198,224</u>
LIABILITIES				
Collections held in trust	\$ 202,010	\$ —	\$ (3,786)	\$ 198,224
Total liabilities	<u>\$ 202,010</u>	<u>\$ —</u>	<u>\$ (3,786)</u>	<u>\$ 198,224</u>
Environmental Trust Fund				
ASSETS				
Pooled cash and investments	\$ 102,160	\$ 2,871	\$ —	\$ 105,031
Accrued interest receivable	610	193	—	803
Total assets	<u>\$ 102,770</u>	<u>\$ 3,064</u>	<u>\$ —</u>	<u>\$ 105,834</u>
LIABILITIES				
Collections held in trust	\$ 102,770	\$ 3,064	\$ —	\$ 105,834
Total liabilities	<u>\$ 102,770</u>	<u>\$ 3,064</u>	<u>\$ —</u>	<u>\$ 105,834</u>
Property Room Evidence				
ASSETS				
Pooled cash and investments	\$ 668,436	\$ 25,802	\$ —	\$ 694,238
Total assets	<u>\$ 668,436</u>	<u>\$ 25,802</u>	<u>\$ —</u>	<u>\$ 694,238</u>
LIABILITIES				
Deposits payable	\$ 668,436	\$ 25,802	\$ —	\$ 694,238
Total liabilities	<u>\$ 668,436</u>	<u>\$ 25,802</u>	<u>\$ —</u>	<u>\$ 694,238</u>

City OF Torrance



Fire Station 1

Capital Assets

Used in the Operation of Governmental Funds

CITY OF TORRANCE, CALIFORNIA
Capital Assets Used in the Operation of Governmental Funds
Schedule By Source¹
June 30, 2005

	<u>2005</u>
Governmental funds capital assets:	
Land and Land Improvements	\$ 46,246,648
Right of Way	19,344,662
Buildings and Improvements	67,703,179
Furniture and Equipment	8,052,903
Infrastructure	256,863,790
Construction in progress	3,625,978
	<u>\$ 401,837,160</u>
Investment in governmental funds capital assets by source:	
Balance, July 1, 2004	\$ 395,215,688
General fund	2,890,594
Special revenue fund	1,419,541
Capital projects funds	2,311,337
	<u>2,311,337</u>
Total governmental funds capital assets	<u>\$ 401,837,160</u>

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in Internal Service Funds are excluded from the above amounts. Generally, the capital assets of Internal Service Funds are included as governmental activities in the statement of net assets.

CITY OF TORRANCE, CALIFORNIA
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity¹
June 30, 2005

Function and Activity	Land and improvements	Right of Way	Buildings and improvements
Balance, July 1, 2004	\$ 45,831,909	\$ 19,344,662	\$ 66,594,520
General government:			
Attorney	—	—	—
Clerk	—	—	—
Manager	—	—	—
Treasurer	—	—	—
Finance	—	—	—
Information systems and support	—	—	—
Human resources	—	—	72,638
Employment Training - WIN	—	—	—
Community Development	—	—	—
Redevelopment	35,000	—	—
General services	—	—	320,446
Other - unclassified	(3,844)	—	—
Total general government	<u>31,156</u>	<u>—</u>	<u>393,084</u>
Public Safety:			
Police	—	—	19,100
Fire	—	—	—
Total Public Safety	<u>—</u>	<u>—</u>	<u>19,100</u>
Public Works:			
Administration & Operations	—	—	—
Infrastructure	—	—	—
Total Public Works	<u>—</u>	<u>—</u>	<u>—</u>
Cultural and Recreation:			
Libraries	—	—	696,475
Parks and Recreation	383,583	—	—
Total Cultural and Recreation	<u>383,583</u>	<u>—</u>	<u>696,475</u>
Total governmental funds capital assets	\$ <u>46,246,648</u>	\$ <u>19,344,662</u>	\$ <u>67,703,179</u>

¹This schedule presents only the capital assets balances related to governmental funds.

Accordingly, the capital assets reported in Internal Service Funds are excluded from the above amounts.

Generally, the capital assets of Internal Service Funds are included as governmental activities in the statement of net assets.

See accompanying independent auditors' report.

Furniture and equipment	Infrastructure	Construction In Progress	Total
\$ 6,747,648	\$ 244,911,521	\$ 11,785,428	\$ 395,215,688
—	—	—	—
—	—	—	—
83,266	—	—	83,266
—	—	—	—
34,624	—	—	34,624
195,793	—	—	195,793
—	—	—	72,638
—	—	—	—
39,767	—	—	39,767
—	—	—	35,000
104,403	—	(310,127)	114,722
—	—	—	(3,844)
<u>457,853</u>	<u>—</u>	<u>(310,127)</u>	<u>571,966</u>
154,569	—	—	173,669
236,907	—	—	236,907
<u>391,476</u>	<u>—</u>	<u>—</u>	<u>410,576</u>
195,660	—	—	195,660
—	11,952,269	(8,482,517)	3,469,752
<u>195,660</u>	<u>11,952,269</u>	<u>(8,482,517)</u>	<u>3,665,412</u>
63,610	—	—	760,085
196,656	—	633,194	1,213,433
<u>260,266</u>	<u>—</u>	<u>633,194</u>	<u>1,973,518</u>
\$ <u>8,052,903</u>	\$ <u>256,863,790</u>	\$ <u>3,625,978</u>	\$ <u>401,837,160</u>

CITY OF TORRANCE, CALIFORNIA
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity¹
June 30, 2005

Function and Activity	Governmental Funds Capital Assets June 30, 2004	Additions	Deductions	Governmental Funds Capital Assets June 30, 2005
Balance, July 1,	\$ 95,840,814	\$ —	\$ 3,844	\$ 95,836,970
General Government:				
Attorney	35,250	—	—	35,250
Clerk	8,307	—	—	8,307
Manager	1,368,858	83,266	—	1,452,124
Treasurer	10,565	—	—	10,565
Finance	182,108	34,624	—	216,732
Information systems and support	648,854	195,793	—	844,647
Human resources	15,215	72,638	—	87,853
Employment Training - WIN	43,946	—	—	43,946
Community Development	47,819	39,767	—	87,586
Redevelopment	4,103,845	35,000	—	4,138,845
General services	5,074,117	1,087,515	972,793	5,188,839
Other - unclassified	18,087	—	—	18,087
Total General Government	<u>11,556,971</u>	<u>1,548,603</u>	<u>972,793</u>	<u>12,132,781</u>
Public Safety:				
Police	1,130,901	173,669	—	1,304,570
Fire	2,521,841	236,907	—	2,758,748
Total Public Safety	<u>3,652,742</u>	<u>410,576</u>	<u>—</u>	<u>4,063,318</u>
Public Works:				
Administration & Operations	391,489	195,661	—	587,150
Right of Way and Infrastructure	274,562,831	14,426,081	10,956,330	278,032,582
Total Public Works	<u>274,954,320</u>	<u>14,621,742</u>	<u>10,956,330</u>	<u>278,619,732</u>
Cultural and Recreation:				
Libraries	1,466,071	760,085	—	2,226,156
Parks and Recreation	7,744,770	1,213,433	—	8,958,203
Total Cultural and Recreation	<u>9,210,841</u>	<u>1,973,518</u>	<u>—</u>	<u>11,184,359</u>
Total governmental funds capital assets	<u>\$ 395,215,688</u>	<u>\$ 18,554,439</u>	<u>\$ 11,932,967</u>	<u>\$ 401,837,160</u>

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in Internal Service Funds are excluded from the above amounts. Generally, the capital assets of Internal Service Funds are included as governmental activities in the statement of net assets.

See accompanying independent auditors' report.

City OF *Torrance*



COMPREHENSIVE ANNUAL *Financial* **REPORT**

Fiscal Year Ended June 30, 2005

(Not covered by Accountants' Report)

❖ **I N T R O D U C T O R Y S E C T I O N** ❖

CITY OF TORRANCE, CALIFORNIA

General Fund Expenditures by Function

Last Ten Fiscal Years

(In thousands)

(Unaudited)

Fiscal year ended June 30	General government (including non- departmental)	Public safety	Public works	Cultural and recreation	Total expenditures
1996	20,198	50,414	7,353	9,414	87,379
1997	19,740	57,347	8,105	9,672	94,864
1998	20,745	60,339	9,154	9,299	99,537
1999	20,294	62,848	9,209	9,380	101,731
2000	17,724	65,151	9,122	10,120	102,117
2001	19,730	67,457	9,369	10,470	107,026
2002	22,331	69,027	10,256	10,868	112,482
2003	22,421	71,776	10,258	11,102	115,557
2004	24,202	71,476	8,522	11,275	115,475
2005	24,193	75,392	8,493	11,283	119,361

Source: City of Torrance Department of Finance.

CITY OF TORRANCE, CALIFORNIA

General Fund Revenues by Source

Last Ten Fiscal Years

(In thousands)

(Unaudited)

Fiscal year ended June 30	Property taxes, including penalties	Sales and use tax	Other taxes	Licenses, fees and permits	Fines, forfeitures and penalties
1996	13,154	28,390	36,456	978	745
1997	12,668	28,770	38,610	924	683
1998	13,804	29,271	39,975	1,082	908
1999	14,179	32,075	41,214	1,120	1,232
2000	15,590	34,666	41,843	1,356	1,103
2001	16,696	36,242	47,846	1,322	1,410
2002	17,331	34,919	44,822	1,937	1,186
2003	18,399	34,901	47,500	1,505	1,234
2004	19,931	35,911	49,342	2,056	1,263
2005	27,156	37,477	52,182	2,503	1,333

Source: City of Torrance Department of Finance.

Exhibit 2

Use of money and property	Inter- governmental	Current service charges and other revenues	Total
1,847	5,553	5,538	92,661
2,204	6,072	6,460	96,391
2,164	6,294	8,899	102,397
4,095	6,799	14,359	115,073
1,947	7,561	8,007	112,073
3,819	8,264	7,210	122,809
3,435	8,706	7,698	120,034
2,325	8,589	6,236	120,689
2,757	6,966	6,285	124,511
3,239	1,406	9,764	135,060

CITY OF TORRANCE, CALIFORNIA

Property Tax Levies and Tax Collections

Last Ten Fiscal Years

(In thousands)

(Unaudited)

Fiscal year ended June 30	Adjusted total current tax levy	Collections of current secured and unsecured taxes (1)	Percent of levy collected during fiscal year	Collections of delinquent taxes	Total tax collections (2)
1996	13,654	12,815	93.9	(79)	12,736
1997	13,308	12,273	92.2	192	12,465
1998	13,495	12,551	93.0	158	12,709
1999	14,246	13,156	92.4	73	13,229
2000	15,119	14,265	94.4	45	14,310
2001	16,140	15,351	95.1	171	15,522
2002	17,169	16,306	95.0	145	16,451
2003	18,247	16,772	91.9	343	17,115
2004	19,413	17,088	88.0	1,270	18,358
2005	20,444	16,779	82.0	607	17,386

(1) Reflects collections for tax district number 1; such collections are General Fund revenues.

(2) Excludes consideration of aircraft assessment taxes and delinquent penalties.

(3) Includes delinquency from current tax levy only.

Source: Los Angeles County Auditor – Controller’s Office.

Exhibit 3

Collections as percent of current levy	Outstanding delinquent taxes (3)	Delinquent tax as percent of current levy
93.3	741	5.4
93.7	629	4.7
94.2	480	3.6
92.9	520	3.7
94.6	598	4.0
96.2	574	3.6
95.8	587	3.4
93.8	606	3.3
94.6	546	2.8
85.1	607	3.0

CITY OF TORRANCE, CALIFORNIA
Combined Tax Rates – All Overlapping Governments
(Per \$100 of Assessed Value)

Last Ten Fiscal Years

(Unaudited)

Fiscal year ended June 30	City of Torrance	Los Angeles County	School District	Metropolitan Water District	County Flood Control
1996	—	.0018	—	.0089	.0010
1997	—	.0016	—	.0089	.0020
1998	—	.0016	—	.0089	.0022
1999	—	.0014	—	.0089	.0020
2000	—	.0014	.0204	.0089	.0018
2001	—	.0013	.0188	.0088	.0016
2002	—	.0011	.0194	.0077	.0011
2003	—	.0010	.0184	.0067	.0009
2004	—	.0010	.0399	.0061	.0005
2005	—	.0009	.0335	.0058	.0002

Source: Los Angeles County Auditor – Controller’s Office.

Exhibit 4

General	Total
1.000	1.0117
1.000	1.0125
1.000	1.0127
1.000	1.0123
1.000	1.0325
1.000	1.0305
1.000	1.0293
1.000	1.0270
1.000	1.0475
1.000	1.0404

CITY OF TORRANCE, CALIFORNIA

Assessed Valuation of Taxable Property*

Last Ten Fiscal Years

(In thousands)

(Unaudited)

Fiscal year ended June 30	Land	Improvements	Secured personal property	Subtotal	Public utilities assessed by state
1996	5,380,454	5,990,876	222,972	11,594,302	7,650
1997	5,331,317	5,753,319	245,653	11,330,289	7,831
1998	5,379,685	5,798,601	277,321	11,455,607	7,131
1999	5,552,181	6,156,581	250,369	11,959,131	12,150
2000	5,909,531	6,435,078	289,580	12,634,188	8,514
2001	6,238,539	6,867,720	272,447	13,378,706	5,731
2002	6,686,563	7,270,114	261,420	14,218,097	7,098
2003	7,265,319	7,470,337	307,517	15,043,173	6,665
2004	7,856,226	7,955,288	348,514	16,160,028	8,426
2005	8,777,922	8,034,227	222,450	17,034,599	8,416

* Assessed valuation is 100% of market value. Amounts reported include taxable property of the Redevelopment Agency.

Source: Los Angeles County Auditor – Controller's Office.

Exhibit 5

Less real and secured personal property exemptions	Net taxable secured property	Net taxable unsecured real and personal property	Total property subject to taxation
431,263	11,170,689	861,108	12,031,797
448,751	10,889,369	839,820	11,729,189
453,511	11,009,227	809,104	11,818,331
385,003	11,586,278	870,084	12,456,362
440,121	12,202,582	954,403	13,156,984
456,617	12,927,820	1,066,027	13,993,847
374,515	13,850,680	1,103,295	14,953,975
491,946	14,557,892	1,083,605	15,641,497
480,556	15,687,898	1,055,908	16,743,806
508,194	16,534,821	1,017,446	17,552,267

CITY OF TORRANCE, CALIFORNIA
Ratio of Net General Bonded Debt to Assessed Valuation
and Net General Bonded Debt Per Capita

Last Ten Fiscal Years

(In thousands)

(Unaudited)

Fiscal year ended June 30	Estimated population (A)	Assessed valuation (1, B)	Assessed valuation per capita	Net general bonded debt (2, 3)	Valuation	Ratio of general bonded debt per capita	Net general bonded debt per capita
1996	139,820	12,031,797	86.05	—	—	—	—
1997	141,528	11,729,189	82.88	—	—	—	—
1998	143,601	11,818,331	82.30	—	—	—	—
1999	145,769	12,456,362	85.45	—	—	—	—
2000	147,414	13,156,984	89.25	—	—	—	—
2001	140,949	13,993,847	99.28	—	—	—	—
2002	142,072	14,953,975	105.26	—	—	—	—
2003	144,415	15,641,497	108.31	—	—	—	—
2004	146,204	16,743,806	114.52	—	—	—	—
2005	147,405	17,552,267	119.08	—	—	—	—

(1) Assessed valuations are 100% of market value.

(2) Excludes debt and increment assessed valuation of the Redevelopment Agency of the City of Torrance, as amount does not represent a claim on the general revenues of the City.

(3) General bonded debt retired 1988-89.

Sources: (A) Population Research Office, California Department of Finance.
(B) Los Angeles County Auditor – Controller's Office.

CITY OF TORRANCE, CALIFORNIA

Ratio of Annual Debt Service Expenditures for
General Bonded Debt to Total General Fund Expenditures

Last Ten Fiscal Years

(In thousands)

(Unaudited)

Fiscal year ended June 30	Principal	Interest	Total debt service	Total General Fund expenditures	Ratio of debt service to General Fund expenditures
1996	—	—	—	87,379	—
1997	—	—	—	94,865	—
1998	—	—	—	99,537	—
1999	—	—	—	101,731	—
2000	—	—	—	102,117	—
2001	—	—	—	107,026	—
2002	—	—	—	112,482	—
2003	—	—	—	115,557	—
2004	—	—	—	115,475	—
2005	—	—	—	119,361	—

Source: City of Torrance Department of Finance.

CITY OF TORRANCE, CALIFORNIA
 Computation of Direct and Overlapping Debt
 June 30, 2005
 (In thousands)
 (Unaudited)

	Percent applicable in City of Torrance	Gross bonded debt	Exclusions (1)	Net bonded debt
Direct debt:				
City of Torrance:				
Certificates of participation:				
2004 A and B Refunding	100.000%	\$ 42,125	—	42,125
1998 Police and Fire Refunding	100.000	7,760	—	7,760
Total direct debt		<u>49,885</u>	<u>—</u>	<u>49,885</u>
Overlapping debt:				
Los Angeles County	2.532	16,205	15,795	410
Los Angeles County General Fund Obligation	2.532	1,389,450	1,354,269	35,181
Los Angeles County Flood Control District	2.533	121,880	118,793	3,087
Regional Park and Open Space Assessment District	2.532	349,690	340,836	8,854
Pension Obligations	2.532	1,050,097	1,023,509	26,588
Los Angeles County Superintendent of Schools	2.532	23,766	23,164	602
Los Angeles County Sanitation:				
District #5 Authority	29.271	69,723	49,314	20,409
South Bay City Authority	4.947	11,879	11,291	588
Public School and College Districts:				
Torrance Unified	99.999	34,769	—	34,769
El Camino College District	31.161	56,580	38,949	17,631
Los Angeles Community College District	0.003	738,680	738,658	22
Los Angeles Unified School District	.004	4,483,515	4,483,336	179
Los Angeles Unified School District Certificate of Participation	.004	599,653	599,629	24
Metropolitan Water District	1.296	419,390	413,955	5,435
Total overlapping debt		<u>9,365,277</u>	<u>9,211,498</u>	<u>153,779</u>
Total direct and overlapping debt		<u>\$ 9,415,162</u>	<u>9,211,498</u>	<u>203,664</u>

(1) Direct debt exclusions represent all bonds which are not general obligation bonds of the City and are not a claim against the General Fund revenue of the City.

Source: City of Torrance Department of Finance and California Municipal Statistics, Inc.

CITY OF TORRANCE, CALIFORNIA

Computation of Legal Debt Margin

June 30, 2005

(In thousands)

(Unaudited)

Net assessed value	\$ 17,552,267
Plus exempt property	<u>178,035</u>
Total assessed value	<u>\$ 17,730,302</u>
Debt limit – 15% of total assessed value (1)	\$ 2,659,545
Amount of debt applicable to debt limit – total general obligation bonded debt	<u>—</u>
Legal debt margin	<u>\$ 2,659,545</u>

(1) Article 4, Section 412 of the City Charter of the City of Torrance states:

“The City shall not incur any bonded indebtedness for public improvements which shall in the aggregate exceed fifteen percent of the assessed value of all real and personal property of the City.”

Source: City of Torrance Department of Finance.

CITY OF TORRANCE, CALIFORNIA
Largest Private Sector Taxpayers/Employers
(Excluding Public Utilities)

June 30, 2005

(Unaudited)

	<u>Number of employees</u>
Toyota Motor Credit Corporation	2,766
American Honda Motor Company Inc.	1,650
Honeywell Aerospace	1,168
Alcoa Fastening Systems	1,089
Robinson Helicopter Co.	1,039
Boeing Electron Dynamics Devices, Inc.	1,003
Adecco North America, LLC	803
Exxon Mobil Oil Corporation	689
Motor Car Parts & Accessories, Inc.	650
Younger Manufacturing	476

Source: City of Torrance Department of Finance.

CITY OF TORRANCE, CALIFORNIA

Ten Largest Taxpayers Assessed Values

June 30, 2005

(Unaudited)

	Type of business	Property assessed value	% to total assessed values
Exxon Mobil Oil Corporation	Refinery	\$ 1,362,055,137	7.8%
Del Amo Mills Limited Partnership	Property Development & Management	324,200,562	1.8%
Toyota Motor Credit Corporation	Automobile supplies	272,580,249	1.6%
American Honda Motor Company Inc.	Automobile supplies	200,181,920	1.1%
Ball Metal Beverage Container Company	Manufacturing	70,233,409	0.4%
East Side Hotel Associates L P	Hotel	60,797,556	0.3%
Allied Signal Inc.	Manufacturing	53,957,000	0.3%
USAA Institutional Real Estate Equity	Real Estate Investment	51,100,000	0.3%
Federated Western Properties Inc.	Retail Department Stores	48,633,567	0.3%
Prologis Macquarie US LLC	Property Management	48,528,243	0.3%
Total Assessed Values (Exhibit 5) is:		\$ 17,552,267,000	

Sources: Los Angeles County Assessor 2004/05 Secured & Unsecured Tax Rolls,
HdL Coren & Cone.

CITY OF TORRANCE, CALIFORNIA

Miscellaneous Statistical Data

June 30, 2005

(Unaudited)

Date of incorporation	May 31, 1921	Transportation:	
Date charter adopted	January 7, 1947	Traffic operations:	
City land area	21.2 square miles	Miles of streets	338 miles
Ocean beach frontage	.8 miles	Miles of alleys	19 miles
Population	147,405	Number of intersections	1,870
Form of government	Mayor-Council-City Manager	Number of traffic control devices:	
Number of City employees (regular, full-time)	1,286	Traffic signals	116
Number of City employees (regular, part-time)	515	Number of street lights	10,877
Fire protection:		Miles of bicycle facilities	28
Headquarters building	1	Airport operations:	
Number of stations	6	Total acreage maintained	500 acres
Sworn employees	150	Tie-down acreage	25 acres
Civilian employees	26	Number of tenant aircraft	500
Number of fire control vehicles	16	Number of hangars	339
Number of paramedic vehicles	6	Transit operations:	
Police protection:		Number of fixed route buses	53
Sworn employees	228	Education (not City government function):	
Civilian employees	104	Public schools:	
Number of motorized vehicles:		Elementary schools	17
Cars – black and white sedans	51	Middle schools	8
Cars – plain sedans + fire adm.	100	High schools	4
Motorcycles	21	Shery Continuation High school	1
Vans	28	Adult education and vocational training centers	3
Trucks (including refuse, sweepers, and the like)	251	Parochial schools	4
ATCs	2	Cultural facilities:	
Tractors/off-road	32	Public libraries	6
Utility vehicles	14	Churches	114
Recreation:		Daily newspapers	1
Number of parks:		Banks and credit unions:	
Developed parks	34	Banks (includes savings and loans)	53
Madrona Marsh Land	1	Credit unions	14
Acreage maintained (all parks)	337 acres	Health facilities:	
Number of golf courses (9-hole)	1	Hospitals	3
Number of public swimming pools (open air)	1	Housing*:	
		Single family units	34,166
		Multiple family units	21,838
		Mobile homes	1,183

* California, Cities, Towns & Counties by "Information Publications" and the City of Torrance Building and Safety Department.

Source: City of Torrance Department of Finance.

CITY OF TORRANCE, CALIFORNIA

Bank Deposit Activity

Last Ten Fiscal Years

(In thousands)

(Unaudited)

Fiscal year ended June 30	Bank deposits	Percent change
1996	3,967,156	(9)
1997	4,378,231	10
1998	4,104,072	(6)
1999	3,604,106	(12)
2000	5,660,488	57
2001	6,217,173	10
2002	6,123,740	(2)
2003	4,870,700	(20)
2004	5,031,926	3
2005	4,995,673	(1)

Source: Thomson Bank/Savings Directory.

CITY OF TORRANCE, CALIFORNIA

Construction Activity

Last Ten Fiscal Years

(In thousands)

(Unaudited)

Fiscal year ended June 30	Number of building permits issued	Percent change	Estimated valuation	Percent change
1996	3,418	8	91,432	32
1997	2,659	(22)	73,156	(20)
1998	3,093	16	81,400	11
1999	3,165	2	92,713	14
2000	3,086	(2)	130,622	41
2001	3,142	2	125,688	(4)
2002	3,229	3	201,535	60
2003	3,254	1	128,744	(36)
2004	3,365	3	153,060	19
2005	3,113	(7)	180,227	18

Source: City of Torrance Building and Safety Department

CITY OF TORRANCE, CALIFORNIA

Demographic Statistics

Last Ten Fiscal Years

(Unaudited)

Fiscal year ended June 30	Estimated population (A)	Median age (E)	Public school enrollment (C)	Unemployment rate (D)	Median household effective buying income (B)
1996	139,820	37.4	22,598	4.4	44,309
1997	141,528	35.6	23,212	3.9	44,891
1998	143,601	35.6	23,377	3.4	46,321
1999	145,769	35.6	23,748	3.3	47,105
2000	147,414	35.6	23,669	2.9	46,953
2001	140,949	35.6	24,472	2.8	52,526
2002	142,072	38.7	24,848	3.5	51,783
2003	144,415	38.7	24,688	3.6	48,271
2004	146,204	38.7	24,877	3.6	48,708
2005	147,405	38.7	24,544	2.9	49,861

Sources: (A) Population Research Office, California Department of Finance.
 (B) Survey of buying power published by "Sales & Marketing Management."
 (C) Average school census by Torrance Unified School District.
 (D) Average annual rate for Los Angeles County reported by the Labor Market Information Division of the Employment Development Department. Effective fiscal year ended 1985, annual rates are reported separately for the City of Torrance by the Labor Market Information Division of the Employment Development Department.
 (E) California Cities, Towns & Counties by "Information Publications."

CITY OF TORRANCE, CALIFORNIA
Proprietary Funds Revenue Bond Coverage

Last Ten Fiscal Years

(Unaudited)

(In thousands)

Fiscal year ended June 30	Operating revenues	Operating expenses (1)	Net operating income	Nonoperating income (expenses) (1)
<u>AIRPORT FUND</u>				
1996	3,767	3,317	450	318
1997	4,162	3,651	511	363
1998	4,268	4,369	(101)	392
1999	4,971	4,369	602	377
2000	5,142	3,801	1,341	466
2001	5,223	3,983	1,240	497
2002	5,558	4,101	1,457	383
2003	5,679	4,373	1,306	259
2004	6,155	4,362	1,793	98
2005	7,672	5,512	2,160	150
<u>WATER FUND</u>				
1996	18,785	15,815	2,970	678
1997	21,720	17,298	4,422	717
1998	20,983	16,875	4,108	1,023
1999	21,525	17,367	4,158	537
2000	21,367	17,457	3,910	616
2001	20,712	17,570	3,142	1,048
2002	22,149	18,779	3,370	917
2003	21,511	18,237	3,274	619
2004	22,066	19,341	2,725	476
2005	21,706	16,696	5,010	389

(1) Operating expenses are exclusive of depreciation; nonoperating income (expense) is exclusive of bond interest expense.

Source: City of Torrance Department of Finance.

Exhibit 16

Net revenue or funds available for debt service	Debt service requirements			Times coverage
	Principal	Interest	Total	
768	—	—	—	—
874	—	—	—	—
291	—	—	—	—
979	—	—	—	—
1,807	—	—	—	—
1,737	—	—	—	—
1,840	—	—	—	—
1,565	—	—	—	—
1,891	—	—	—	—
2,310	—	—	—	—
3,648	250	447	697	5
5,139	260	437	697	7
5,131	275	425	700	7
4,695	285	407	692	7
4,526	300	405	705	6
4,190	315	389	704	6
4,287	330	360	690	6
3,893	350	342	692	6
3,201	370	323	693	5
5,399	635	257	892	6

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